

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, based upon existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 2008 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the 2008 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of the interest on, the 2008 Bonds. See "TAX MATTERS" herein.

\$38,395,000
CITY OF PITTSBURG PUBLIC FINANCING AUTHORITY
WATER REVENUE REFUNDING BONDS
SERIES 2008

Dated: Date of Delivery

Price: 100%

CUSIP: 72456P AR3[†]

Due: June 1, 2035

The City of Pittsburg Public Financing Authority Water Revenue Refunding Bonds, Series 2008 (the "2008 Bonds") are being issued by the City of Pittsburg Public Financing Authority (the "Authority") pursuant to a Indenture of Trust, dated as of May 1, 2008, (the "Indenture"), by and between the Authority and The Bank of New York Trust Company, N.A., as trustee (the "Trustee").

The 2008 Bonds will initially be issued in a Weekly Interest Rate Period, as provided in the Indenture, in minimum denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof. While bearing interest at Weekly Interest Rates, interest on the 2008 Bonds will be payable on the first Business Day of each month, commencing June 2, 2008. Each Weekly Interest Rate will be determined by E. J. De La Rosa & Co. Inc., as remarketing agent. The Interest Rate Period for the 2008 Bonds may be Converted from a Weekly Interest Rate Period to a Daily Interest Rate Period, a Long-Term Interest Rate Period, an Index Interest Rate Period or an ARB Interest Rate Period, as provided in the Indenture. See "THE 2008 BONDS."

The 2008 Bonds are subject to mandatory tender for purchase upon any such Conversion and upon certain other events, including the substitution of the Letter of Credit (hereinafter defined) with an Alternate Credit Support Instrument or the expiration of the Letter of Credit, all as described herein. THIS OFFICIAL STATEMENT DESCRIBES CERTAIN TERMS OF THE 2008 BONDS WHILE IN A WEEKLY INTEREST RATE PERIOD. THERE ARE SIGNIFICANT DIFFERENCES IN THE TERMS OF THE 2008 BONDS IN OTHER INTEREST RATE PERIODS, AND THOSE DIFFERENCES ARE NOT DESCRIBED HEREIN. THIS OFFICIAL STATEMENT IS NOT INTENDED TO PROVIDE INFORMATION WITH RESPECT TO THE 2008 BONDS IN ANY INTEREST RATE PERIOD OTHER THAN THE WEEKLY INTEREST RATE PERIOD.

The 2008 Bonds are being issued (i) to refund the Authority's Water Revenue Bonds Series 2005 on a current basis, (ii) to fund a reserve fund with respect to the 2008 Bonds, and (iii) to pay costs of issuance of the 2008 Bonds. The 2008 Bonds are limited obligations of the Authority payable solely from and secured by certain payments (the "2008 Installment Payments") received by the Authority from the City under the 2008 Installment Purchase Contract (the "2008 Contract") and the other funds pledged therefor under the Indenture, as more fully described herein. The obligation of the City to make the 2008 Installment Payments is a special obligation of the City payable primarily from Net Revenues (as defined herein) of the City's Water System and certain funds and accounts created under the 2008 Contract and the Indenture. The City has covenanted in the 2008 Contract that it will not issue any additional bonds, notes or other obligations that are secured by a pledge and lien on Net Revenues that is senior to the pledge and lien on Net Revenues contained in the 2008 Contract. However, under the 2008 Contract, the City may issue additional bonds, notes or other obligations payable from Net Revenues on parity with the 2008 Installment Payments. See "SECURITY FOR THE 2008 BONDS."

The City owns and operates a water system located in the City of Pittsburg, California. The rating on the 2008 Bonds is based upon the Letter of Credit referenced below. Accordingly, detailed information on the City and the Water System is not provided in this Official Statement.

The 2008 Bonds are subject to optional and mandatory sinking fund redemption, as described herein.

Payment of the principal of and interest on, and purchase price of, the 2008 Bonds will initially have the benefit of an irrevocable direct pay Letter of Credit dated as of May 8, 2008 (the "Letter of Credit") to be issued by Allied Irish Banks, p.l.c., New York Branch (the "Bank") as the initial Credit Support Instrument under the Indenture. The initial expiration date of the Letter of Credit is May 7, 2013, as extended or earlier terminated prior thereto as described herein. See "THE BANK" and "THE LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT."



ANY INVESTMENT DECISION TO PURCHASE THE 2008 BONDS SHOULD BE MADE SOLELY ON THE BASIS OF THE CREDITWORTHINESS OF THE BANK. ACCORDINGLY, DETAILED INFORMATION ON THE WATER SYSTEM IS NOT PROVIDED IN THIS OFFICIAL STATEMENT.

THIS OFFICIAL STATEMENT DESCRIBES THE 2008 BONDS ONLY DURING THE PERIOD THE 2008 BONDS BEAR INTEREST AT A WEEKLY INTEREST RATE AND ARE SUPPORTED BY THE LETTER OF CREDIT. INVESTORS SHOULD NOT RELY ON THIS OFFICIAL STATEMENT IF THE INTEREST RATE ON THE 2008 BONDS IS ADJUSTED TO ANY OTHER MODE OR IF THE 2008 BONDS ARE NO LONGER SUPPORTED BY THE LETTER OF CREDIT.

The 2008 Bonds will be issued in fully registered form only and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the 2008 Bonds. Individual purchases will be made in book-entry form only. Purchasers of the 2008 Bonds will not receive physical certificates representing their beneficial ownership interests in the 2008 Bonds purchased. Payments of principal of and interest on the 2008 Bonds will be paid by the Trustee to DTC, which is obligated in turn to remit such principal, premium, if any, and interest to its DTC participants for subsequent disbursement to the beneficial owners of the 2008 Bonds as described herein. See "APPENDIX D – DTC AND BOOK-ENTRY SYSTEM."

The obligation of the City to make the 2008 Installment Payments does not constitute a debt of the City, the Authority or the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the City, the Authority, the State of California or any political subdivision thereof is obligated to levy or pledge any form of taxation or for which the City, the Authority, the State of California or any political subdivision thereof levied or pledged any form of taxation.

This cover page contains certain information for general reference only. It is not intended to be a summary of the security or terms of this issue. Potential investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision. Capitalized terms used on this cover page not otherwise defined shall have the meanings set forth herein.

The 2008 Bonds will be offered when, as and if executed, delivered and received by the Underwriter, subject to the approval as to their validity by Orrick, Herrington & Sutcliffe LLP, San Francisco, California, Bond Counsel to the Authority. Certain legal matters will be passed upon by Jones Hall, A Professional Law Corporation, San Francisco, California, Disclosure Counsel to the Authority, and for the Authority and the City by the City Attorney, Meyers, Nave, Riback, Silver & Wilson. It is expected that the 2008 Bonds will be available for delivery through DTC in New York, New York on or about May 8, 2008.



This Official Statement is dated: April 30, 2008

[†] Copyright 2008, American Bankers Association. CUSIP data herein are provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc., and are provided for convenience of reference only. Neither the Authority, the City nor the Underwriter assumes any responsibility for the accuracy of the CUSIP data.

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

The information set forth herein has been provided by the City and other sources that are believed by the City to be reliable, including the Bank, which has provided the information under the heading "THE BANK."

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibility to investors under the federal securities law as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

The information and expression of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in affairs of the City or the Bank since the date hereof.

This Official Statement, including any supplement or amendment hereto, is intended to be deposited with one or more repositories.

No dealer, broker, salesperson, or any other person has been authorized to give any information or to make any representations other than those contained in this Official Statement in connection with the offering made hereby, and, if given or made, such information or representations must not be relied upon as having been authorized by the City, the Bank, or the Underwriter. This Official Statement does not constitute an offer or solicitation in any jurisdiction in which such offer or solicitation is not authorized, or in which the person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation.

THE 2008 BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE 2008 BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

**CITY OF PITTSBURG PUBLIC FINANCING AUTHORITY
CITY OF PITTSBURG**

City Council and Authority Officers

Will Casey, Mayor
Nancy L. Parent, Vice Mayor
Ben Johnson, Council Member
Salvatore Evola, Council Member
Michael B. Kee, Council Member

Elected City Officials

James F. Holmes, Treasurer
Alice E. Evenson, City Clerk

CITY STAFF/AUTHORITY STAFF OFFICERS

Marc S. Grisham, City Manager
Matt Rodriguez, Assistant City manager
Marie Simons, Finance Director

SPECIAL SERVICES

Bond Counsel

Orrick, Herrington & Sutcliffe LLP
San Francisco, California

Disclosure Counsel

Jones Hall, A Professional Law Corporation
San Francisco, California

Financial Advisor

Public Financial Management, Inc.
San Francisco, California

City Attorney

Ruthann Ziegler
Meyers, Nave, Riback, Silver & Wilson

Trustee

The Bank of New York Trust Company, N.A.
San Francisco, California

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OFFICIAL STATEMENT

\$38,395,000
CITY OF PITTSBURG PUBLIC FINANCING AUTHORITY
WATER REVENUE REFUNDING BONDS
SERIES 2008

INTRODUCTION

General

The purpose of this Official Statement (which includes the cover page and the appendices attached hereto) is to provide information concerning the issuance, sale and delivery by the City of Pittsburg Public Financing Authority (the “**Authority**”) of its Water Revenue Refunding Bonds, Series 2008 (the “**2008 Bonds**”), in the aggregate principal amount of \$38,395,000. The Authority is a joint exercise of powers authority organized under the laws of the State of California and formed by the City of Pittsburg, California (the “**City**”) and the Pittsburg Redevelopment Agency (the “**Redevelopment Agency**”). The Authority was formed on January 21, 1991 to assist in the financing and refinancing of various public capital improvements, including the financing and refinancing of a portion of the design, acquisition and construction of additions, betterments and improvements to the City's municipal water system (as more described herein, the “**Water System**”).

Capitalized terms used but not defined in this Official Statement have the meanings given in the Indenture. See “APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – Definitions.”

Authorization and Purpose

The 2008 Bonds are being issued pursuant to the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the “**Act**”), and an Indenture of Trust, dated as of May 1, 2008 (the “**Indenture**”), by and between the Authority and The Bank of New York Trust Company, N.A., as trustee (the “**Trustee**”). The proceeds of the sale of the 2008 Bonds will be used to (i) refund on a current basis, the City of Pittsburg Public Financing Authority Water Revenue Bonds, Series 2005 (the “**2005 Bonds**”), (ii) fund a debt service reserve account with respect to the 2008 Bonds, and (iii) pay certain costs of issuance of the 2008 Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS” herein.

The 2008 Bonds

Interest Rate Modes. Under the Indenture, the 2008 Bonds are multi-modal bonds that are authorized to be issued in a Weekly Interest Rate Period, a Daily Interest Rate Period, a Long-Term Interest Rate Period, an Index Interest Rate Period or an ARB Interest Rate Period (as those terms are defined in the Indenture). Initially, the 2008 Bonds will be issued in a Weekly Interest Rate Period. **The 2008 Bonds are subject to mandatory tender for purchase on the first day of each new Interest Rate Period and upon certain other events, including the substitution of an Alternate Credit Support Instrument for the Letter of Credit or the**

expiration of the Letter of Credit, all as described herein. Accordingly, this Official Statement only describes the terms of the 2008 Bonds when they are in a Weekly Interest Rate Period and are supported by the Letter of Credit. See “THE 2008 BONDS – Tender of 2008 Bonds for Purchase.”

Optional Tender for Purchase Upon Election of Owner. While the 2008 Bonds bear interest at Weekly Interest Rates, each owner may tender its 2008 Bonds for purchase by delivering an irrevocable written notice to the Tender Agent designating the principal amount that is being tendered and the tender date, which date may be a Business Day seven days after delivery of the tender notice or a later Business Day specified in the notice. See “THE 2008 BONDS — Tender of 2008 Bonds for Purchase.”

THIS OFFICIAL STATEMENT DESCRIBES THE 2008 BONDS ONLY DURING THE PERIOD THE 2008 BONDS BEAR INTEREST AT A WEEKLY INTEREST RATE AND ARE SUPPORTED BY THE LETTER OF CREDIT. INVESTORS SHOULD NOT RELY ON THIS OFFICIAL STATEMENT IF THE INTEREST RATE ON THE 2008 BONDS IS ADJUSTED TO ANY OTHER INTEREST RATE MODE OR IF THE 2008 BONDS ARE NO LONGER SUPPORTED BY THE LETTER OF CREDIT.

The City and the Water System

The City owns and operates a complete water system, supplying treated water to the entire area within its limits as well as to users outside the City. The City provides approximately 2.5 billion gallons of water per year, or about 7 million gallons per day, to over 15,900 customers.

The City is within the service area of the Contra Costa Water District (the “**District**”) and obtains most of its untreated water from the District pursuant to a contractual arrangement allowing the City to obtain such quantity of water as is necessary to meet its needs, subject to rationing restrictions in the event of drought or other extraordinary circumstances. The City pumps this water into its system from various points on the District’s Contra Costa Canal, which runs through the City from east to west. The City also has the ability to supplement this supply with ground water pumping, however, the ground water supply is limited by the pumping capacity of the Water System and the quality of the water derived from the wells.

The City treats both sources of water at its treatment plant, located in the south central part of the City. This plant has a nominal treatment capacity of 32 million gallons per day (mgd) and a permanent treatment capacity of 28 mgd. The maximum peak demand that the City has experienced is 16.9 mgd and the average demand is approximately 7 mgd.

The rating on the 2008 Bonds is based upon an irrevocable direct pay Letter of Credit dated as of May 8, 2008 (the “**Letter of Credit**”) to be issued by Allied Irish Banks, p.l.c., New York Branch (the “**Bank**”), for the benefit of the Trustee, as the initial Credit Support Instrument under the Indenture. Accordingly, detailed information on the finances and operations of the City and the Water System is not provided in this Official Statement.

Security for the 2008 Bonds

ANY INVESTMENT DECISION TO PURCHASE THE 2008 BONDS SHOULD BE MADE SOLELY ON THE BASIS OF THE CREDITWORTHINESS OF THE BANK.

Letter of Credit. Payment of the principal of and interest on, and purchase price of, the 2008 Bonds will initially will be made from proceeds of draws on the Letter of Credit. The initial scheduled expiration date of the Letter of Credit is May 7, 2013 (the “**Expiration Date**”), as may be extended or earlier terminated prior thereto as described herein. The Letter of Credit and any Alternate Credit Support Instrument are defined under the Indenture as the “**Credit Support Instrument**.” The Letter of Credit is being issued under the terms of a Letter of Credit Reimbursement Agreement, dated as of May 1, 2008 (the “**Reimbursement Agreement**”) between the Bank and the City. See “THE BANK” and “THE LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT.”

Limited Obligations. The 2008 Bonds are limited obligations of the Authority and are payable solely from the Revenues as provided in the Indenture, including certain funds held under the Indenture, and draws under the Letter of Credit. Neither the full faith and credit of the Authority nor that of the City or the Redevelopment Agency are pledged for the payment of the interest on or principal of the 2008 Bonds and no tax or other source of funds, other than the Revenues and said funds held under the Indenture, is pledged to pay the interest on or principal of the 2008 Bonds. The payment of the principal of or interest on the 2008 Bonds does not constitute a debt liability or obligation of the Authority, the City or the Redevelopment Agency for which any such entity is obligated to levy or pledge any form of taxation or for which any such entity has levied or pledged any form of taxation. The Authority has no taxing power.

Revenues. Under the Indenture, the 2008 Bonds are payable from and secured by “**Revenues**,” which are generally comprised of (i) 2008 Installment Payments paid by the City to the Trustee pursuant to the 2008 Installment Purchase Contract, dated as of May 1, 2008 (the “**2008 Contract**”) between the City and the Authority, (ii) receipts and payments made to the City pursuant to a Qualified Swap Agreement and assigned to the Authority pursuant to the 2008 Contract, (iii) interest and other income from any investment of any money in any fund and account (other than the Project Fund and the Rebate Fund) held under the Indenture. The obligation of the City to make the 2008 Installment Payments is limited to all gross income and revenue received by the City from the ownership or operation of the Water System, excluding Maintenance and Operations Costs of the Water System (the “**Net Revenues**,” as more fully described herein). Under the 2008 Contract, the City is purchasing certain improvements to the Water System and has irrevocably pledged all Net Revenues to the payment of the 2008 Installment Payments, subject to the terms and conditions of the 2008 Contract. See “SECURITY FOR THE 2008 BONDS.”

2005 Swap. In connection with the issuance of the 2005 Bonds and the execution and delivery of the 2005 Contract, the City entered into an interest rate swap agreement (the “**2005 Swap**”), for the purpose of receiving amounts that were expected to be approximately equal to the variable rate 2005 Installment Payments the City was obligated to make under the 2005 Contract in exchange for making fixed rate payments to the Swap Provider (as defined herein). The 2005 Swap shall remain in place with respect to the 2008 Installment Payments the City is obligated to make under the 2008 Contract. The obligation of the City to make such fixed rate payments are on a parity with the 2008 Installment Payments. See “SECURITY FOR THE 2008 BONDS – The 2005 Swap.”

Parity Obligations. The City will not incur any obligations payable from Net Revenues superior to the payment of the 2008 Installment Payments; provided that the City may at any time enter into Parity Obligations to finance or refinance any Water Project if certain conditions set forth in the 2008 Contract are met. See “SECURITY FOR THE 2008 BONDS - Additional Bonds and Contracts.”

Alternate Credit Support Instrument. Under the terms of the Indenture, the Authority may elect to replace any Credit Support Instrument with an Alternate Credit Support Instrument conforming to the requirements of the Indenture. No less than 30 days prior to the date of the proposed substitution, the Authority will give written notice to the Trustee, the Remarketing Agent and the Bank. No less than 30 days prior to the proposed substitution, the Trustee will deliver to the Owners a notice of such proposed substitution and the mandatory tender of the 2008 Bonds.

Miscellaneous

This Official Statement contains brief descriptions of, among other things, the 2008 Bonds, the 2008 Contract and the Indenture. The descriptions do not purport to be comprehensive or definitive. Additionally, this Official Statement only describes the terms of the 2008 Bonds during the period when they bear interest at a Weekly Interest Rate. All references in this Official Statement to documents are qualified in their entirety by reference to such documents, and references to the 2008 Bonds are qualified in their entirety by reference to the form of 2008 Bonds included in the Indenture. During the offering period for the 2008 Bonds, copies of the forms of the Indenture, the 2008 Contract and other documents described in this Official Statement may be obtained at the principal offices of the Underwriter. Copies of these documents may be obtained from the Trustee or the City after issuance and delivery of the 2008 Bonds.

FINANCING PLAN

General

The proceeds of the sale of the 2008 Bonds will be used to

- refund on a current basis, the 2005 Bonds currently outstanding in the amount of \$38,025,000,
- fund the Debt Service Reserve Account in an amount equal to the Debt Service Reserve Requirement established under the Indenture, and
- pay certain costs of issuance of the 2008 Bonds.

Refunding of the 2005 Bonds

A portion of the proceeds of the 2008 Bonds will be transferred to the Trustee for the 2005 Bonds (the “**2005 Bonds Trustee**”). Moneys transferred to the 2005 Bonds Trustee will be applied to pay the redemption price (including accrued interest) on the 2005 Bonds on May 8, 2008.

Amounts remaining in the Project Fund established for the 2005 Bonds will be transferred to the Trustee for deposit in the 2008 Project Fund under the Indenture and used to complete the construction of the 2005 Project.

Amounts remaining in the Capitalized Interest Account established for the 2005 Bonds will be transferred to the Trustee for deposit in the 2008 Capitalized Interest Account under the Indenture and used to pay a portion of the interest on the 2008 Bonds.

ESTIMATED SOURCES AND USES OF FUNDS

The following sets forth the estimated sources and uses of funds related to the issuance of the 2008 Bonds.

Sources of Funds:

Principal Amount of 2008 Bonds	\$38,395,000.00
Funds held under the 2005 Bonds Debt Service Reserve Fund	<u>2,254,541.28</u>
Total Sources of Funds	\$40,649,541.28

Uses of Funds:

Transfer to 2005 Trustee ⁽¹⁾	\$38,025,000.00
Deposit to 2008 Debt Service Reserve Fund ⁽²⁾	2,270,532.60
Underwriter's Discount	95,987.50
Costs of Issuance ⁽³⁾	<u>258,021.18</u>
Total Uses of Funds	\$40,649,541.28

-
- (1) To be used to redeem the 2005 Bonds. See "FINANCING PLAN" above.
 - (2) Equal to the Debt Service Reserve Account Requirement for the 2008 Bonds. See "SECURITY FOR THE 2008 BONDS – Debt Service Reserve Account."
 - (3) Includes fees of Trustee, Bond Counsel, Disclosure Counsel, Financial Advisor, Letter of Credit Bank fees, rating agencies and printing costs.

THE 2008 BONDS

Description of the 2008 Bonds

General. The 2008 Bonds will be dated the date of their initial execution and delivery and mature (subject to prior redemption) on June 1, 2035 (the “**Maturity Date**”). The 2008 Bonds will be issued initially as variable rate bonds in a Weekly Interest Rate Period and will bear interest at Weekly Interest Rates as described below. Each Weekly Interest Rate will be determined by the Remarketing Agent. The 2008 Bonds shall be delivered in authorized denominations of \$100,000 principal amount and any integral multiple of \$5,000 in excess thereof while in a Weekly Interest Rate Period. Capitalized terms used but not defined below shall have the meanings given in “APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS.”

THIS OFFICIAL STATEMENT DESCRIBES CERTAIN TERMS OF THE 2008 BONDS WHILE IN A WEEKLY INTEREST RATE PERIOD. THE TERMS OF THE 2008 BONDS IN OTHER INTEREST RATE PERIODS ARE SIGNIFICANTLY DIFFERENT. THIS OFFICIAL STATEMENT IS NOT INTENDED TO PROVIDE INFORMATION WITH RESPECT TO THE 2008 BONDS IN ANY INTEREST RATE PERIOD OTHER THAN A WEEKLY INTEREST RATE PERIOD.

Book-Entry System. The 2008 Bonds will be issued in registered form as one fully registered bond certificate, and will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“**DTC**”). DTC will act as securities depository for the 2008 Bonds. Principal, Purchase Price, premium, if any, and interest on the 2008 Bonds are payable by the Trustee to DTC, which is obligated in turn to remit such principal, Purchase Price, premium, if any, and interest to its DTC Participants for subsequent disbursement to the beneficial owners of the 2008 Bonds. See “APPENDIX D — DTC AND BOOK-ENTRY SYSTEM.”

Interest Rate Periods; Mandatory Tender Upon Conversion. During a Weekly Interest Rate Period, interest on the 2008 Bonds will be payable on the first Business Day of each calendar month commencing June 2, 2008. During a Weekly Interest Rate Period, interest on the 2008 Bonds shall be computed on the basis of a 365-or 366-day year, as appropriate, for the actual number of days elapsed.

The Authority may elect to Convert all, but not less than all, of the 2008 Bonds from the Weekly Interest Rate Period to a Daily Interest Rate Period, a Long-Term Interest Rate Period, an Index Interest Rate Period or an ARB Interest Rate Period as provided in the Indenture. The 2008 Bonds in a Weekly Interest Rate Period are subject to mandatory tender for purchase upon any such Conversion, as described below.

At no time may any 2008 Bond bear interest at a rate in excess of the Maximum Interest Rate.

Weekly Interest Rates. During each Weekly Interest Rate Period, the 2008 Bonds shall bear interest at Weekly Interest Rates. Except as otherwise provided in the Indenture (and described below) the Weekly Interest Rate shall be determined for each Calendar Week by the Remarketing Agent by no later than 5:00 p.m., New York City time, on the Wednesday immediately preceding each Calendar Week, or if such day is not a Business Day, then by 12:00 noon, New York City time, on the next succeeding Business Day. The Weekly Interest

Rate shall be the rate of interest per annum determined by the Remarketing Agent to be the minimum interest rate which, if borne by the 2008 Bonds, would enable the Remarketing Agent (based on then-prevailing market conditions) to sell the 2008 Bonds on the effective date of such rate at a price (without regard to accrued interest) equal to the principal amount thereof.

In the event that the Remarketing Agent fails to establish a Weekly Interest Rate for any Calendar Week, then the Weekly Interest Rate for such Calendar Week shall be the same as the Weekly Interest Rate for the immediately preceding Calendar Week if the Weekly Interest Rate for such preceding week was determined by the Remarketing Agent. In the event that the Weekly Interest Rate for the immediately preceding Calendar Week was not determined by the Remarketing Agent, or in the event that the Weekly Interest Rate determined by the Remarketing Agent shall be held to be invalid or unenforceable by a court of law, then the interest rate for such Calendar Week shall be equal to the Variable Index on the day such Weekly Interest Rate would otherwise be determined as provided herein.

“Calendar Week” means, with respect to the 2008 Bonds in a Weekly Interest Rate Period, the period during which interest accrues with respect to the 2008 Bonds at a particular Weekly Interest Rate and will be the period from Thursday of one week (whether or not a Business Day) to and including the Wednesday of the following week (whether or not a Business Day); provided that the initial Calendar Week for each Weekly Interest Rate Period shall be the period from the first day of such Weekly Interest Rate Period to the next succeeding Wednesday (whether or not a Business Day); and provided further that the final Calendar Week for a Weekly Interest Rate Period which ends on a day other than a Wednesday shall be the period from the Thursday (whether or not a Business Day) preceding the last day of such Weekly Interest Rate Period to the last day of such Weekly Interest Rate Period.

Conversion to Alternate Interest Rate Period. The Authority may by written direction to the Trustee, with consent of the Credit Provider if upon Conversion any Credit Provider Obligation would remain outstanding (with copies to the Tender Agent, the Bank and the Remarketing Agent), elect to Convert all, but not less than all, of the 2008 Bonds from a Weekly Interest Rate Period, to an alternate Interest Rate Period. The direction of the Authority must be accompanied by (i) a letter of Bond Counsel stating that it expects to deliver a Favorable Opinion of Bond Counsel on the effective date of the Conversion of such 2008 Bonds to an alternate Interest Rate Period and (ii) a form of the notice to be mailed by the Trustee to the Owners of such 2008 Bonds, as provided in the Indenture. Upon such election and satisfaction of certain conditions, all of the 2008 Bonds will be subject to the alternate Interest Rate Period.

The Trustee is required to give notice (by registered or certified mail, or by telecopy confirmed by registered or certified mail) of Conversion of the 2008 Bonds from a Weekly Interest Rate Period to an alternate Interest Rate Period not less than 30 days prior to the proposed Conversion Date to such alternate Interest Rate Period. While the 2008 Bonds are registered in the name of Cede & Co., such notice shall be given only to DTC, and not to any Beneficial Owner of the 2008 Bonds. Such notice will state (i) that subject to the satisfaction of the conditions to such Conversion contained in the Indenture, the Interest Rate Period for the 2008 Bonds will be Converted to a Daily Interest Rate Period, a Long-Term Interest Rate Period, an Index Interest Rate Period or an ARB Interest Rate Period, as applicable, unless the Authority rescinds its election to convert the Interest Rate Period for the 2008 Bonds pursuant to the Indenture; (ii) the proposed Conversion Date to such alternate Interest Rate Period; and (iii) that: (A) all such 2008 Bonds are subject to mandatory tender for purchase on the Conversion Date, (B) that all such 2008 Bonds are subject to mandatory tender for purchase on the proposed Conversion Date even if the proposed Conversion to such alternate Interest Rate

Period does not occur, (C) the applicable Purchase Price and place of Proper Delivery for such purchase, and (D) that the Purchase Price of such 2008 Bonds tendered or deemed tendered shall be payable only upon Proper Delivery of such 2008 Bonds, and only from the sources specified in the Indenture, specifying such sources.

The Indenture provides that no Conversion of the 2008 Bonds from one Interest Rate Period to another will take effect unless each of the following conditions, to the extent applicable, has been satisfied: (i) the Trustee has received a Favorable Opinion of Bond Counsel with respect to such Conversion on the Conversion Date; (ii) the remarketing proceeds available on the Conversion Date and the amount available under the Letter of Credit is not less than the amount required to purchase all of the 2008 Bonds at the applicable Purchase Price; (iii) in the case of any Conversion to an ARB Interest Rate Period, prior to the Conversion Date the Authority has appointed an Auction Agent and a Broker-Dealer and there has been executed and delivered an Auction Agent Agreement and a Broker-Dealer Agreement; and (iv) prior to any Conversion to an ARB Interest Rate Period, the Authority receives a firm underwriting commitment or contract from an investment bank or other purchaser to purchase the 2008 Bonds and (v) in the case of a Conversion of the 2008 Bonds to a Long-Term Interest Rate Period, the Remarketing Agent has determined the Long-Term Interest Rate for such Long-Term Interest Rate Period on or prior to the proposed Conversion Date.

If any condition to the Conversion from a Weekly Interest Rate Period to another Interest Rate Period has not been satisfied, then the Weekly Interest Rate Period will not be Converted and the 2008 Bonds shall continue to bear interest in the Weekly Interest Rate Period in effect immediately prior to such proposed Conversion, and if notice of such proposed Conversion has been given to the Owners, the 2008 Bonds will continue to be subject to mandatory tender for purchase on the date which would have been the Conversion Date.

Rescission of Election to Convert. Notwithstanding anything in the Indenture to the contrary, the Authority has the right to deliver to the Trustee (with copies to the Tender Agent, the Bank and the Remarketing Agent), on or prior to 10:00 a.m. on the second Business Day preceding the proposed Conversion Date of any Conversion of the Interest Rate Period for the 2008 Bonds, a notice to the effect that the Authority elects to rescind its election to make such Conversion. If the Authority delivers such rescission notice, then the Interest Rate Period will not be Converted and the 2008 Bonds will continue to bear interest at the Weekly Interest Rate in effect immediately prior to such proposed Conversion. If the Authority delivers such rescission notice after notice of Conversion has been mailed to the Owners of the 2008 Bonds, then the 2008 Bonds will continue to be subject to mandatory tender for purchase on the date which would have been the Conversion Date.

Tender of 2008 Bonds for Purchase

Subject to DTC Procedures. As long as the DTC book-entry only system is in effect with respect to the 2008 Bonds, all optional and mandatory tenders of such 2008 Bonds for purchase will be made pursuant to DTC's procedures as in effect from time to time, and neither the Authority, the Bank, the Trustee, the Tender Agent nor the Remarketing Agent will have any responsibility for or liability with respect to the implementation of such procedures.

Tender for Purchase Upon Election of Owner. During a Weekly Interest Rate Period, the Owner of a 2008 Bond may tender such 2008 Bond, or a portion thereof as provided below, on any Business Day, for purchase at the applicable Purchase Price, upon delivery to the Tender Agent at its Principal Office for delivery of notices, with a copy to the Remarketing

Agent, of an irrevocable written notice, which states the principal amount of such 2008 Bond (or the portion thereof) that is being irrevocably tendered for purchase. The Purchase Date for any 2008 Bond (or portion thereof) in a Weekly Interest Rate Period for which the Owner has given such notice of tender for purchase shall be a Business Day not prior to the seventh day next succeeding the date of delivery of such notice to the Tender Agent or such later Business Day as is specified in such notice. Any notice of tender for purchase given to the Tender Agent after 4:00 p.m., New York City time, will be deemed to have been received on the next succeeding Business Day. In the case of a tender for purchase of less than the full principal amount of a 2008 Bond, both the portion of the 2008 Bond being tendered for purchase and the portion not so tendered will be in an Authorized Denomination.

Mandatory Tender for Purchase on Conversion to Alternate Interest Rate Period.

The 2008 Bonds in a Weekly Interest Rate Period are subject to mandatory tender for purchase at the applicable Purchase Price on the first day of each Interest Rate Period on the proposed Conversion Date specified in the notice of Conversion.

Mandatory Tender for Purchase Upon Termination or Expiration of the Letter of Credit. The 2008 Bonds in a Weekly Interest Rate Period are subject to mandatory tender for purchase, at the applicable Purchase Price, (a) on the date of termination of the Letter of Credit upon the delivery of an Alternate Credit Support Instrument; (b) on the fifth Business Day following the Trustee's receipt of a Notice of Mandatory Tender at the Direction of the Bank; or (c) on a Business Day which is not less than five days prior to the Expiration Date of the Letter of Credit. Any change to the Bank's obligation to purchase Bonds under the Letter of Credit shall be deemed on the effective date of such change, to constitute a termination of the Letter of Credit and a delivery of an Alternate Credit Support Instrument, and the Authority shall provide the Trustee with notice of any such change at least 30 days prior to the date such change becomes effective.

The Tender Agent will give notice to the Owners of the 2008 Bonds of any of the events set forth in the paragraph above not less than five days prior to the applicable Purchase Date. See "APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – The Indenture."

Applicable Purchase Price. The term "Purchase Price" means, with respect to any tendered 2008 Bond (or portion thereof), an amount, payable in immediately available funds, equal to the principal amount thereof plus accrued interest from and including the Interest Accrual Date immediately preceding the applicable Purchase Date to but not including the applicable Purchase Date; provided, however, that (i) if the Purchase Date for any Tendered Bond is on or after the Record Date for an Interest Payment Date and on or prior to such Interest Payment Date, the Purchase Price thereof will be the principal amount thereof, and interest on such Tendered Bond will be paid to the Owner of such Tendered Bond as of the applicable Record Date as provided for the payment of interest on 2008 Bonds in the Indenture and (ii) in the case of a Purchase Date which is the first day of an Interest Rate Period which is preceded by a Long-Term Interest Rate Period and which commences prior to the day originally established as the last day of such preceding Long-Term Interest Rate Period, "Purchase Price" of any Tendered Bond means the optional redemption price determined pursuant to the Indenture which would have been applicable to the redemption of such Tendered Bond on such Purchase Date pursuant to the Indenture if the preceding Long-Term Interest Rate Period had continued to the day originally established as its last day.

Effect of Election to Tender 2008 Bonds. The giving of notice by an Owner of a 2008 Bond of its election to have its 2008 Bond purchased during a Weekly Interest Rate Period will constitute the irrevocable tender for purchase of such 2008 Bond on the Purchase Date specified in such notice in accordance with the Indenture. Any 2008 Bond as to which Proper Delivery is not made to the Tender Agent by 10:00 a.m., New York City time on such Purchase Date is referred to as an “**Undelivered Bond**” in the Indenture. If funds in the amount of the applicable Purchase Price are available for payment to such Owner on the applicable Purchase Date, from and after such Purchase Date, (i) such Undelivered Bond will be deemed to be purchased and will no longer be deemed to be Outstanding under the Indenture; (ii) interest will no longer accrue with respect to such Undelivered Bond; (iii) funds in the amount of the Purchase Price of the Undelivered Bond will be held by the Tender Agent in the Bond Purchase Fund for the benefit of the Owner of such Undelivered Bond, to be paid when Proper Delivery of such Undelivered Bond is made to the Tender Agent; and (iv) the Owner of such Undelivered Bond will have no rights with respect to such Undelivered Bond except to receive the Purchase Price thereof from the funds held by the Tender Agent in the Bond Purchase Fund for such purpose and only upon Proper Delivery of such 2008 Bond to the Tender Agent. Any funds held by the Tender Agent as described in clause (iii) of the preceding sentence will be held uninvested.

“**Proper Delivery**” means, with respect to the delivery of a Tendered Bond to the Tender Agent to receive the Purchase Price thereof in connection with any optional or mandatory tender of such Tendered Bond for purchase pursuant to the Indenture: (a) if such Tendered Bond is held in book-entry form by a securities depository, the making of, or the irrevocable authorization to make, by 10:00 a.m., New York City time, on the applicable Purchase Date or any Business Day thereafter, entries on the books of the securities depository or a participant of such securities depository to transfer the beneficial ownership of such Tendered Bonds; and (b) if such Tendered Bond is not held in book-entry form by a securities depository, the delivery of such Tendered Bond to the Tender Agent at its Principal Office, by 10:00 a.m., New York City time, on the applicable Purchase Date or any Business Day thereafter, accompanied by an instrument of transfer thereof in form satisfactory to the Tender Agent, executed in blank by the Owner thereof or by the Owner's duly authorized attorney, with such signature guaranteed by a commercial bank, trust company or member firm of the New York Stock Exchange.

Redemption

Optional Redemption. While any Weekly Interest Rate Period is in effect, the 2008 Bonds are subject to redemption prior to their stated maturity, at the option of the Authority, in whole or in part (in such amounts as may be specified by the Authority), on any date at a Redemption Price equal to the principal amount of 2008 Bonds to be redeemed, plus unpaid accrued interest thereon to the date fixed for redemption, without premium. The Redemption Price on any 2008 Bond being redeemed pursuant to the optional redemption provisions will be paid with Available Moneys.

Mandatory Sinking Fund Redemption. The 2008 Bonds are also subject to redemption in part prior to their stated maturity from Sinking Fund Installments on each June 1 on and after June 1, 2008, as set forth below, at a Redemption Price equal to the principal amount of the 2008 Bonds to be redeemed together with interest unpaid accrued thereon to the date fixed for redemption, without premium.

Redemption Date (June 1)	Redemption Amount
2008	\$ 450,000
2009	685,000
2010	835,000
2011	910,000
2012	935,000
2013	960,000
2014	1,010,000
2015	1,035,000
2016	1,090,000
2017	1,140,000
2018	1,165,000
2019	1,215,000
2020	1,265,000
2021	1,315,000
2022	1,365,000
2023	1,415,000
2024	1,465,000
2025	1,515,000
2026	1,565,000
2027	1,615,000
2028	1,690,000
2029	1,740,000
2030	1,815,000
2031	1,890,000
2032	1,965,000
2033	2,040,000
2034	2,115,000
2035 (final maturity)	2,190,000

In the event that any 2008 Bonds are redeemed pursuant to the provision for optional redemption described above, each such redemption will reduce the related sinking fund installment payments pro rata.

Selection of Bonds for Redemption. Whenever provision is made in the Indenture for the redemption of less than all of the 2008 Bonds, the Trustee will select the 2008 Bonds to be redeemed from all 2008 Bonds subject to redemption, by lot in any manner which the Trustee in its sole discretion deems appropriate and fair; provided, however, that 2008 Bonds will be redeemed in the following order of priority (and by lot within each priority):

First: Any 2008 Bonds being redeemed which have been purchased by the Bank pursuant to the Letter of Credit; and

Second: Any other 2008 Bonds.

Notice of Redemption. Notice of redemption will be mailed by first class mail by the Trustee not less than 30 nor more than 60 days prior to the redemption date to the registered Owner of each 2008 Bond at the address shown on the registration books of the Trustee.

Receipt of such notice is not a condition precedent to the redemption of 2008 Bonds and failure of any Owner of a 2008 Bond to receive any such notice or any insubstantial defect in such notice will not affect the validity of the proceedings for the redemption of 2008 Bonds. Any defect in such notice given to the Owners of less than all of the 2008 Bonds to be redeemed will not affect the validity of the proceedings for the redemption of the 2008 Bonds as to which the notice of redemption did not contain such defect.

The notice of redemption will specify the maturity date of the 2008 Bonds to be redeemed, the redemption date and the place or places where amounts due upon such redemption will be payable and, if less than all of the 2008 Bonds are to be redeemed, the letters and numbers or other distinguishing marks of such 2008 Bonds so to be redeemed, and, in the case of 2008 Bonds to be redeemed in part only, such notice will also specify the respective portions of the principal amount thereof to be redeemed. Such notice will further state that on such date there shall become due and payable upon each 2008 Bond to be redeemed the redemption price thereof, or the redemption price of the specified portions of the principal amount thereof to be redeemed in the case of 2008 Bonds to be redeemed in part only, and that from and after such date interest on such Bond or the portion of such 2008 Bond to be redeemed will cease to accrue and be payable.

In the event that funds required to pay the Redemption Price of the 2008 Bonds are not on deposit with the Trustee at the time the notice with respect to any redemption of 2008 Bonds at the option of the Authority is given, such notice will state that such redemption is conditional upon the receipt by the Trustee, on or prior to the date fixed for such redemption, of moneys sufficient to pay the Redemption Price of the 2008 Bonds to be redeemed, and that if such moneys have not been so received said notice will be of no force and effect and the Authority will not be required to redeem such 2008 Bonds. In the event a notice of redemption of 2008 Bonds contains such a condition and such moneys are not so received, the redemption of 2008 Bonds as described in the conditional notice of redemption will not be made and the Trustee will, within a reasonable time after the date on which such redemption was to occur, give notice to the persons, in the manner in which the notice of redemption was given, that such moneys were not so received and that there will be no redemption of 2008 Bonds pursuant to the conditional notice of redemption.

If upon the expiration of 60 days succeeding any redemption date, any 2008 Bonds called for redemption have not been presented to the Trustee for payment, the Trustee will no later than 90 days following such redemption date, send written notice by first class mail to the Owner of each 2008 Bond not so presented. Failure to mail the notices required by this subsection to any Owner, or any defect in any notice so mailed, will not affect the validity of the proceedings for redemption of any 2008 Bonds nor impose any liability on the Trustee.

Effect of Redemption. Notice of redemption having been duly mailed to the Owners of the 2008 Bonds to be redeemed (in whole or in part), as provided in the Indenture and the amount necessary for the redemption having been made available for that purpose and being available therefor on the date fixed for such redemption:

(a) the 2008 Bonds, or portions thereof, designated for redemption shall, on the date fixed for redemption, become due and payable at the applicable Redemption Price thereof, as provided in the Indenture, anything in such Indenture or in the 2008 Bonds to the contrary notwithstanding;

(b) except as otherwise provided in a Representation Letter, upon presentation and surrender thereof at the Principal Office of the Trustee or another Paying Agent for such Bonds, the 2008 Bonds to be redeemed shall be redeemed at the applicable Redemption Price;

(c) the 2008 Bonds or portions thereof so designated for redemption shall be deemed to be no longer Outstanding and such Bonds or portions thereof shall cease to bear further interest; and

(d) after the date fixed for redemption no Owner of any of the 2008 Bonds or portions thereof so designated for redemption shall be entitled to any of the benefits of the Indenture, or to any other rights, except with respect to payment of the Redemption Price thereof from the amounts so made available.

SECURITY FOR THE 2008 BONDS

The 2008 Bonds are being offered solely on the basis of the Letter of Credit and the financial strength of the Bank and not the operations, financial strength or condition of the City or the Water System or any other security. Accordingly, this Official Statement does not describe the financial condition of the City or the Water System. The short-term rating assigned to the 2008 Bonds is based on the creditworthiness of the Bank. Prospective purchasers of the 2008 Bonds that wish to make a full evaluation of the financial status of the Bank are advised to obtain financial statements of the Bank.

Revenues; Pledge of Revenues

Except as noted herein under "THE LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT," the 2008 Bonds are secured by a pledge of the Revenues and all money in the Revenue Fund established under the Indenture and in the funds or accounts so specified and provided for in the Indenture, whether held by the Authority or the Trustee, to the Trustee for the benefit of the Owners of the 2008 Bonds.

"**Revenues**" is defined in the Indenture as the 2008 Installment Payments paid by the City to the Trustee pursuant to the 2008 Contract, all receipts and payments made to the City pursuant to any Qualified Swap Agreement and assigned to the Authority pursuant to the 2008 Contract and all interest earnings and funds and accounts held under the Indenture (except the 2008 Project Fund and the Rebate Fund).

2008 Installment Payments

Pursuant to the 2008 Contract, the City is obligated to make 2008 Installment Payments, but solely from Net Revenues which are sufficient to provide for the payment of the principal of and interest on the 2008 Bonds. Net Revenues consist generally of all income and revenue received in any Fiscal Year by the City from the Water System, less maintenance and operations of the Water System for such Fiscal Year. The obligation of the City to pay the 2008 Installment Payments is absolute and unconditional, the City will not discontinue or suspend any

2008 Installment Payments required to be paid by it under the 2008 Contract when due, whether or not the Water System or any part thereof is operating or operable, and such payments will not be subject to reduction whether by offset or otherwise.

Rate Covenant

The City has covenanted under the 2008 Contract to fix, prescribe and collect rates, fees and charges for Water Service by the during each Fiscal Year which are reasonably fair and nondiscriminatory and which will be at least sufficient to yield Net Revenues during the next succeeding Fiscal Year equal to 115% of the Parity Debt Service such Fiscal Year, plus any Termination Payments for which other lawful monies are not otherwise available.

Additional Bonds and Contracts

The City has covenanted in the 2008 Contract not to incur any obligations payable from Net Revenues superior to the payment of the 2008 Installment Payments; provided, that the City may at any time enter into Parity Obligations to finance or refinance any Water Project, if certain conditions are met.

For more complete definitions of “Revenues,” “Net Revenues” and underlying definitions relating thereto, see “APPENDIX A – SUMMARY OF THE PRINCIPAL DOCUMENTS.”

Special Obligation

The obligation of the City to make the 2008 Installment Payments is a special obligation of the City and is payable solely from the Net Revenues and the other funds as provided in the 2008 Contract, and does not constitute a debt of the City or the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction, and does not constitute an obligation for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation.

2005 Swap

In connection with the 2005 Bonds, the City entered into an interest rate swap (the “**2005 Swap**”) pursuant to that certain ISDA Master Agreement, dated December 22, 2005, as supplemented by the Schedule and the Credit Support Annex thereto, and evidenced by the Confirmation, each dated December 22, 2005, and each by and between the City and Piper Jaffray Financial Products Inc. (the “**Swap Provider**”), and the Replacement Swap Undertaking, among the City, Piper Jaffray Financial Products Inc., and Morgan Stanley Capital Services Inc. and any replacement Payment Agreement entered into pursuant to the Replacement Swap Undertaking. The 2005 Swap was initially in a notional amount equal to the aggregate principal amount of the 2005 Bonds outstanding, and the notional amount of the 2005 Swap has been reduced by the amount of principal payments made on the 2005 Bonds as such payments are paid. The 2005 Swap shall remain in place with respect to the 2008 Bonds. Under the 2005 Swap the City pays amounts based upon a fixed rate of 3.615% and receives amounts based upon a variable rate (based on 63% of the One-Month London Interbank Offering Rate (“**LIBOR**”) plus 36 basis points). The payment obligations of the City under the 2005 Swap (excluding Termination Payments thereunder) constitute a Parity Obligation under the 2008 Contract, and the payments received by the City under the 2005 Swap have been assigned to the Authority and pledged to the payment of the 2008 Bonds. The payment obligations of the

City under the 2005 Swap that constitute Termination Payments are junior and subordinate in all respects to Parity Obligations.

The City entered into the 2005 Swap for the purpose of receiving amounts that were expected to be approximately equal to the floating rate 2005 Installment Payments the City was obligated to make in exchange for making fixed rate payments, and consequently, are expected to be approximately equal to the floating rate 2008 Installment Payments the City is obligated to make pursuant to the 2008 Contract. Under certain circumstances, the 2005 Swap is subject to early termination prior to the scheduled termination date and prior to the maturity of the 2008 Bonds, in which event, the City may be obligated to make Termination Payments to the Swap Provider and the City may be required to make a substantial supplemental appropriation for such purpose. Neither the holders of the 2008 Bonds nor any other person other than the City will have any other rights under the 2005 Swap or against the Swap Provider.

Debt Service Reserve Account

Under the Indenture, a Reserve Account is created for the 2008 Bonds (the “**Debt Service Reserve Account**”), and shall be held in trust by the Trustee. On the date of issuance of the 2008 Bonds, the Trustee shall deposit into the Debt Service Reserve Account an amount equal to the “**Debt Service Reserve Requirement**” which is \$2,270,532.60. The Debt Service Reserve Requirement shall be maintained in the Debt Service Reserve Account at all times, subject to the provisions of the Indenture, and any deficiency therein shall be replenished from the first available Revenues pursuant to the Indenture.

If on any date on which the principal or Redemption Price of, or interest on, Bonds or an Authority Swap Payment is due, the amount in the applicable account in the Revenue Fund available for such payment is less than the amount of the principal and Redemption Price of and interest on the 2008 Bonds or Authority Swap Payment due on such date, the Trustee shall apply amounts from the Debt Service Reserve Account to the extent necessary to make good the deficiency.

In lieu of making the Debt Service Reserve Requirement in compliance with the Indenture, or in replacement of moneys then on deposit in the Debt Service Reserve Account, the Authority may deliver to the Trustee an insurance policy or letter of credit securing an amount, together with moneys, Permitted Investments or letters of credit on deposit in the Debt Service Reserve Account, no less than the Debt Service Reserve Requirement in accordance with the requirements set forth in the Indenture. See “APPENDIX A – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS.”

THE BANK

The following represents only a summary of the information referred to herein. Except to the limited extent described herein, this document does not attempt to describe the business or analyze the condition, financial or otherwise, of Allied Irish Banks, p.l.c. (“AIB”) or otherwise describe any risks associated with AIB. Each Bondholder must rely on that Holder’s own knowledge, investigation and examination of AIB and AIB’s creditworthiness.

AIB reports its financial information on a consolidated basis, which includes AIB and certain affiliates and subsidiaries (“**AIB Group**”). AIB Group provides a diverse and comprehensive range of banking, financial and related services principally in Ireland, Britain, Poland and the United States. AIB Group is currently organized into four (4) divisions: Republic of Ireland; Great Britain & Northern Ireland; Poland; and Capital Markets (which includes AIB’s New York Branch). AIB is the largest banking corporation organized under the laws of Ireland. As of December 31, 2007, AIB’s total assets were EUR178 billion. Profit before taxation from continuing operations for the year ending December 31, 2007 amounted to EUR 2,508 million. Profit attributable to equity holders of the parent was EUR 1,949 million. Return on average ordinary shareholders’ equity was 21.8% and return on average total assets was 1.21%.

AIB’s New York Branch files quarterly reports on Form FFIEC-002 (“**Call Reports**”) with the Federal Reserve Bank of New York, 33 Liberty Street, New York, NY 10001 and with the New York State Banking Department at 1 State Street, New York, NY 10004. The Call Reports are publicly available.

AIB is an Irish registered public limited company and its ordinary shares are quoted on the Dublin and London stock exchanges. The Group’s ordinary shares (symbol AIB) and non-cumulative preference shares (symbol AIBPr) are traded in the USA on the New York Stock Exchange in the form of American Depositary Shares (“**ADS**”) and each ADS is evidenced by an American Depositary Receipt (“**ADR**”). AIB, as a foreign private issuer of securities in the United States, is required to file an annual report on Form 20-F with the U.S. Securities and Exchange Commission (“**SEC**”) pursuant to the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”) within 6 months after the end of each fiscal year. Moreover, a foreign issuer, unlike domestic companies, is required to submit to the SEC under the Exchange Act on Form 6-K, only those interim reports and other materials that the issuer prepares in accordance with home country or home market requirements or delivers to its security holders. Exchange Act documents filed by AIB are publicly available at the public reference facilities maintained by the SEC at 100 F Street, NE, Washington, D.C. 20549 and at its regional office at 3 World Financial Center, Suite 400, New York, NY 10281-1022. Copies of documents filed by AIB with the SEC may also be accessed electronically by means of the SEC’s home page on the Internet at “<http://www.sec.gov>”.

Any of the documents referred to herein (other than exhibits to such documents) are available upon request, without charge, by writing to the Office of Investor Relations, Allied Irish Banks, p.l.c., Bankcentre, Ballsbridge, Dublin 4, Ireland. Additional information about AIB, including a copy of AIB Group’s Annual Report and Form 20-F, is presently available on the Internet at “<http://www.aibgroup.com>”.

Note: The exchange rate as at 12/31/07 - EUR1 = \$1.4721

THE LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT

The following are brief outlines of certain provisions of the Letter of Credit and the Reimbursement Agreement. Reference is made to the Letter of Credit and the Reimbursement Agreement on file with the Trustee for the complete texts thereof. Capitalized terms used in this section and not otherwise defined have the meanings given in the Reimbursement Agreement.

The Letter of Credit

Under the Letter of Credit, the Bank irrevocably authorizes the Trustee to draw on the Letter of Credit in accordance with its terms in an aggregate amount of \$38,836,806 (the “**Original Available Amount**”), of which amount, up to \$38,395,000 is available for the payment of unpaid principal of the 2008 Bonds and up to \$441,806 is available for the payment of up to 35 days’ unpaid interest accrued on, or the portion of the purchase price corresponding to interest accrued on, the 2008 Bonds while the 2008 Bonds bear interest at a Weekly Interest Rate, at an assumed rate equal to 12% per annum, for the payment of principal, purchase price and interest on the 2008 Bonds. The Original Available Amount shall be reduced automatically from time to time upon the Bank’s honoring of a demand for payment thereunder, and reinstated from time to time from reimbursements made by the City to the Bank for each payment made by the Bank under the Letter of Credit pursuant to the Reimbursement Agreement.

The Reimbursement Agreement

The City and the Bank have executed, or will execute, on or prior to the Closing Date, the Reimbursement Agreement which *inter alia*, sets the terms and conditions whereby the City is required to repay the Bank any amounts drawn by the Trustee under the Letter of Credit. Defined terms used under this heading and not defined in this Official Statement shall have the meanings assigned thereto in the Reimbursement Agreement.

Reimbursement of Drawings. The City is obligated under the Reimbursement Agreement to pay to the Bank an amount equal to all amounts under the Letter of Credit pursuant to a Redemption Drawing, Stated Maturity Drawing, a Principal Purchase Drawing, an Interest Drawing or an Interest Purchase Drawing, payable without any requirement of notice of demand by the Bank, on the day on which such Drawing is paid by the Bank; provided, however, if on the date of any Principal Purchase Drawing the conditions set forth in Section 3.02 are satisfied, the City shall not be required to pay to the Bank an amount equal to such Principal Purchase Drawing on such date but shall be required to pay to the Bank with respect to such Principal Purchase Drawing the following:

- (a) If on the day on which such Principal Purchase Drawing is paid by the Bank, no Default or Event of Default shall have occurred and be continuing, all representations and warranties of the City made in the Reimbursement Agreement are true and correct and no Material Adverse Change shall have occurred and be continuing, and such Principal Purchase Drawing occurred solely as a result of the inability of the Remarketing Agent to remarket all or any portion of the Bonds for any reason outside the control of the City, the City shall not be obligated to pay to the Bank an amount equal to such Principal Purchase Drawing until the earliest of the following: (i) the 30th day following the date of such Drawing; (ii) the date of the delivery of an Alternate Credit Support Instrument; (iii) the date the Bank Bonds are successfully remarketed; (iv) the Expiration Date; (v) the Conversion Date in connection with a Conversion of the Bonds to a rate other than a Covered Rate; (vi) the date on which any

Bank Bonds purchased with such Principal Purchase Drawing are amortized, redeemed, defeased, canceled, accelerated or otherwise paid in accordance with their terms. Principal actually received by the Bank on Bank Bonds shall be credited to the payment of principal owed pursuant hereto.

(b) The City shall pay to the Bank interest on any and all amounts drawn under the Letter of Credit pursuant to a Principal Purchase Drawing, such interest to accrue from the date of such Drawing until payment thereof in full, payable on the first Business Day of each calendar month or, if earlier, the date on which all or a portion of such principal amount is repaid or shall become due and payable pursuant hereto, to the extent of such principal repayment, at a fluctuating interest rate per annum equal to the Bank Rate from time to time in effect, provided that if any such amount is not paid when due it shall thereafter bear interest at the Default Rate. Interest actually received by the Bank on Bank Bonds shall be credited to the payment of interest owed pursuant hereto.

In any event, an amount equal to any Interest Drawing, Interest Purchase Drawing, Redemption Drawing or Stated Maturity Drawing shall be due and payable by the City to the Bank on the date of any such Drawing.

Default Interest. The City agrees to pay to the Bank, upon demand, interest on any and all amounts owed by the City under the Reimbursement Agreement from and after the earlier of (a) the date such amounts are due and payable but not paid until payment thereof in full and (b) the occurrence and continuance of an Event of Default, at a fluctuating interest rate per annum equal to the Default Rate.

The “**Default Rate**” is defined in the Reimbursement Agreement as a fluctuating rate of interest per annum equal to the Base Rate, plus 4%. The “**Base Rate**” is the higher of (i) the Prime Rate or (ii) the Federal Funds Rate plus 0.50% per annum.

Bank Bonds. The Reimbursement Agreement defines “**Bank Bonds**” as bonds which are purchased with the proceeds of a draw on the Letter of Credit, so long as the Bank, its nominee, or a custodian for its benefits, is the Owner of such Bonds. Further, a Bank Bond under the Reimbursement Agreement will be deemed to be a Credit Provider Bond under the Indenture.

The City and the Bank agree that, pursuant to the Indenture, the Bank shall become the Owner of any Bonds purchased with the proceeds of a draw on the Letter of Credit and such Bonds shall be registered in the name of the Bank or its designee and made available for delivery to the Bank at the principal office of the Tender Agent and, prior to such delivery, shall be held in trust by the Tender Agent for the benefit of the Bank. The City agrees to comply, and to use its best efforts to cause the Tender Agent to comply, with these provisions and those in the Indenture regarding Bank Bonds. The City and the Bank have agreed in the Reimbursement Agreement that the Bank Bonds shall be held as additional security for the payment and performance of the City's obligations under the Reimbursement Agreement and pursuant thereto the City assigns to the Bank any and all of its right, title and interest in the Bank Bonds and the proceeds thereof as security for its obligations under the Reimbursement Agreement.

The City expressly agrees that during such time as the Bank Owner of any Bank Bond, the Bank shall have all rights granted to Owners under the Indenture (other than the right to be paid from amounts drawn under the Letter of Credit) as well as any additional rights as may be

granted to the Bank under the Reimbursement Agreement or under any of the Related Documents.

Pursuant to the Indenture and the Remarketing Agreement, the Remarketing Agent shall use its best efforts to remarket Bank Bonds at a price, together with amounts paid by the City to the Bank, equal to the amount of the Principal Purchase Drawing, the proceeds of which were used to purchase such Bank Bonds, plus accrued interest as provided in the Reimbursement Agreement.

The Bank expressly reserves the right to sell, at any time, Bank Bonds, subject, however, to the express terms of the Reimbursement Agreement.

When Bank Bonds are purchased in accordance with the Reimbursement Agreement, the Tender Agent shall, upon receipt of such Bank Bonds and upon receipt by such Bank Bondholder of the Sale Price, notify the City that such Bonds are no longer Bank Bonds. On the Sale Date, the Differential Interest Amount of such Bonds shall be paid to the Bank by the City. If a Bank Bondholder notifies the Tender Agent and the Remarketing Agent that it will not sell its Bank Bonds, the Tender Agent shall notify the City, the Remarketing Agent, the Bank and such Bank Bondholder that as of the Sale Date such Bond or Bonds shall no longer constitute Bank Bonds or Excluded Bonds and such Bonds shall be deemed to have been remarketed and the Available Amount shall be appropriately increased and such Bonds shall bear interest at the same rate as Bonds that are not Bank Bonds.

If an Event of Default shall have occurred, the Bank may, without notice, exercise all rights, privileges or options pertaining to any Bank Bonds as if it were the absolute owner thereof, upon such terms and conditions as it may determine, all without liability except to account to the City for property actually received by it. In addition to the rights and remedies granted to it in the Reimbursement Agreement, the Bank or its designated agent shall have authority to exercise all rights and remedies of a secured party under the Uniform Commercial Code as in effect in the State. The City shall be liable for the deficiency if the proceeds of any sale or other disposition of the Bank Bonds are insufficient to pay all amounts to which the Bank is entitled. The Bank shall have no duty to exercise any such rights, privileges or options and shall not be responsible for any failure to do so or any delay in so doing.

The City further agrees to do or consent to be done all such other reasonable acts and things as may be necessary to make any disposition or sale of any portion or all of the Bank Bonds permitted by the Reimbursement Agreement valid and binding and in compliance with any and all applicable laws, regulations, orders, writs, injunctions, decrees or awards of any and all courts or governmental authorities having jurisdiction over any such disposition or sales, all at the City's expense.

Events of Default. The occurrence of any of the following events shall constitute an "Event of Default" under the Reimbursement Agreement:

(a) Failure of the City to pay when due any amount owed under the Reimbursement Agreement or under any of the Related Documents.

(b) Failure of the City to observe certain covenants set forth in the Reimbursement Agreement (i.e., failure to maintain insurance, failure to obtain an Alternate Credit Support Instrument to replace the Letter of Credit, failure to use Bonds proceeds pursuant to the Indenture, use of amounts under the Letter of Credit for unauthorized purposes, failure to notify

the Bank of conversions, defeasance or redemption of Bonds, failure to maintain ratings, failure to replenish and maintain the Debt Service Reserve Account at the Debt Service Reserve Requirement, failure to maintain the City's rate covenant or rate collection procedures and regulations with respect to the Water Utility).

(c) Failure of the Authority or the City to observe or perform any of its respective covenants, conditions or provisions under the Reimbursement Agreement or any of the Related Documents (other than as specified in paragraph (a) or (b) above) and to remedy such failure within 30 days after receipt of written notice of such failure from the Bank.

(d) Any representation or warranty made by the City in the Reimbursement Agreement or by the Authority or the City in any Related Document or in any certificate, financial or other statement furnished by it pursuant to the Reimbursement Agreement or any of the Related Documents shall prove to have been untrue or incomplete in any material respect when made or deemed made.

(e) The occurrence and continuation of an Event of Default under any of the Related Documents.

(f) Other than as specified in paragraph (a) above, default by the City with respect to any Debt payable from or secured by a lien on the Net Revenues, if such default is a payment default or causes the acceleration of payments thereunder.

(g) Default by the City in the payment of any amount due in respect of any Debt owed to the Bank or default by the City in the payment of any amount due in respect of any other Debt (measured in the case of any Interest Rate Protection Agreement, by the City's Exposure thereunder), as and when the same shall become due, or default under any mortgage, agreement or other instrument under or pursuant to which such Debt is incurred or issued, and continuance of such default beyond the period of grace, if any, allowed with respect thereto, or the occurrence of any act or omission by the City under any such mortgage agreement or other instrument which results in such Debt becoming, or being capable of becoming, immediately due and payable (or, with respect to any Interest Rate Protection Agreement, which results in such Interest Rate Protection Agreement being terminated early or being capable of being terminated early).

(h) The entry or filing of any judgment, writ or warrant of attachment or of any similar process against the City in an amount in excess of \$100,000 or against any of the Net Revenues, and in any such case, failure of the City to vacate, bond, stay or contest in good faith such judgment, writ, warrant of attachment or other process for a period of 30 days or failure to pay or satisfy such judgment within 60 days.

(i) The occurrence of an Event of Insolvency with respect to the Authority or the City.

(j) The unenhanced long-term credit rating assigned by S&P to any of the City's unenhanced obligations secured by or payable from Net Revenues or any portion thereof shall be withdrawn, suspended or fall below "BBB-."

(k) The Reimbursement Agreement or any of the Related Documents ceases to be valid and binding on the Authority or the City; or the Reimbursement Agreement or any of the Related Documents is declared null and void, or the validity or enforceability thereof is

contested by the Authority or the City or any officer or member of the governing body of the Authority or the City, or the Authority or the City denies it has any or further liability under the Reimbursement Agreement or any of the Related Documents.

(l) Any funds or investments on deposit in, or otherwise to the credit of, any of the funds or accounts established hereunder or under the Indenture or any of the Related Documents shall become subject to any writ, judgment, warrant or attachment, execution or similar process.

(m) Any change in the Code or any allegation by the Internal Revenue Service is made which results, or would result, in interest on the Bonds being included in gross income to the holders thereof for purposes of Federal income taxation or not being exempt from State personal income taxes.

(n) The City's accountant fails or refuses to deliver an unqualified opinion with respect to the financial statements of the City.

(o) A Material Adverse Change occurs, and, in the event any such condition can be repealed, overturned or cured, such condition is not repealed, overturned or cured, or the City fails to provide sufficient alternative sources of funds to cure such condition, within three months after receipt by the City of written notice thereof from the Bank.

Rights and Remedies.

(a) Upon the occurrence and continuation of an Event of Default, the Bank, in its sole discretion, (i) may by notice to the City and the Trustee, declare the obligations of the City under the Reimbursement Agreement to be immediately due and payable, and the same shall thereupon become immediately due and payable (provided that, the obligations of the City hereunder shall be and become automatically and immediately due and payable without such notice upon the occurrence of an Event of Default), without demand, presentment, protest or further notice of any kind, all of which are hereby expressly waived by the City, (ii) may deliver to the Trustee written notice that an Event of Default has been declared under the Reimbursement Agreement and that the Letter of Credit will terminate 10 days after receipt of such notice together with a written request that the Trustee declare the principal of all Bonds then outstanding and the interest accrued thereon to be immediately due and payable, (iii) may cure any default, event of default or event of nonperformance under the Reimbursement Agreement or under any of the Related Documents (in which event the City shall reimburse the Bank therefor pursuant to the Reimbursement Agreement), (iv) may exercise its banker's lien, or right of set off, (v) may proceed to protect its right by suit in equity, action at law or other appropriate proceedings, whether for specific performance of any covenant or agreement of the City contained in the Reimbursement Agreement or in and of the exercise of any power or remedy granted to the Bank under any of the Related Documents or (vi) may exercise any other rights or remedies available under any Related Document, any other agreement or at law or in equity. If the Event of Default is the failure by the City to reimburse the Bank on a timely basis for an Interest Drawing, the Bank may, no later than the tenth day following such drawing, deliver to the Trustee notice that the Letter of Credit will not be reinstated. The rights and remedies of the Bank specified in the Reimbursement Agreement are for the sole and exclusive benefit, use and protection of the Bank, and the Bank is entitled, but shall have no duty or obligation to the City, the Trustee, the Tender Agent, the Bondholders or otherwise, (i) to exercise or to refrain from exercising any right or remedy reserved to the Bank under the Reimbursement Agreement, or (ii) to cause the Trustee or the Tender Agent or any other party

to exercise or to refrain from exercising any right or remedy available to it under any of the Related Documents.

(b) From and after the occurrence of an Event of Default, all amounts owing to the Bank hereunder shall bear interest at the Default Rate.

No Waiver; Remedies Not Exclusive. No failure on the part of the Bank to exercise, and no delay in exercising, any right, power or privilege under the Reimbursement Agreement shall operate as a waiver of such right; nor shall any single or partial exercise of any right, power or privilege under the Reimbursement Agreement preclude any other further exercise of such right, power or privilege or the exercise of any other right, power or privilege. The remedies provided in the Reimbursement Agreement are cumulative and not exclusive of any remedies which the Bank would otherwise have.

INVESTMENT CONSIDERATIONS

The following information should be considered by prospective investors in evaluating the 2008 Bonds. However, the following does not purport to be an exclusive listing of risks and other considerations that may be relevant to investing in the 2008 Bonds, and the order in which the following information is presented is not intended to reflect the relative importance of any such risks and considerations.

Security for the 2008 Bonds

The 2008 Bonds are being offered solely on the basis of the Letter of Credit and the financial strength of the Bank and not the operations, financial strength or condition of the City or any other security. This Official Statement does not describe the financial condition of the City or the City's Water System. The rating assigned to the 2008 Bonds is based primarily on the creditworthiness of the Bank. Prospective purchasers of the 2008 Bonds that wish to make a full evaluation of the financial status of the Bank are advised to obtain financial statements of the Bank.

Except as noted herein under "THE LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT," the 2008 Bonds are payable solely from Revenues. No representation or assurance can be made that Revenues will be sufficient to pay maturing principal, mandatory sinking fund requirements and interest on the 2008 Bonds. Future economic and other conditions, including economic trends and events, technological developments and demographic changes, increases in insurance claims, as well as increased costs and changes in government regulations, including Internal Revenue Service (the "IRS") policy regarding tax exemption, may adversely affect the future financial condition of the City's Water System and, consequently, the City's ability to make payments of the principal of and premium, if any, and interest on the 2008 Bonds.

Expiration of the Letter of Credit

The initial scheduled expiration date of the Letter of Credit is May 7, 2013, subject to extension or earlier termination in certain circumstances as described therein. If the Letter of Credit is not extended or an Alternate Credit Support Instrument is not obtained by the City, the 2008 Bonds will be subject to mandatory redemption. There can be no assurance that the City will be able to obtain an extension of the Letter of Credit or an Alternate Credit Support

Instrument. The Bank is under no obligation to extend the Letter of Credit beyond the scheduled expiration thereof.

Bank's Obligations Unsecured

The ability of the Bank to honor draws upon the Letter of Credit is based solely upon the Bank's general credit and is not collateralized or otherwise guaranteed by the United States of America or any agency or instrumentality thereof. No provision has been made for replacement of or substitution for the Letter of Credit in the event of any deterioration in the financial condition of the Bank. Neither the City nor the Bank assumes any liability to any purchaser of the 2008 Bonds as a result of any deterioration of the financial condition of the Bank. Upon any insolvency of the Bank, any claim by the Trustee against the Bank would be subject to bank receivership proceedings.

General Factors Affecting the Bank

The Bank is subject to regulation and supervision by various regulatory bodies. New regulations could impose restrictions upon the Bank which would restrict its ability to respond to competitive pressures. Various legislative or regulatory changes could dramatically impact the banking industry as a whole and the Bank specifically. The banking industry is highly competitive in many of the markets in which the Bank operates. Such competition directly impacts the financial performance of the Bank. Any significant increase in such competition could adversely impact the Bank.

THE AUTHORITY

The City of Pittsburg Public Financing Authority was created by a Joint Exercise of Powers Agreement, dated as of January 1, 1991 between the City and the Redevelopment Agency. The agreement was entered into pursuant to the provisions of Articles 1, 2 and 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code. The Authority was created for the purpose of assisting in the financing and refinancing of various public capital improvements, including the financing and refinancing of a portion of the design, acquisition and construction of additions, betterments and improvements to the City's municipal water system. Under the JPA Law, the Authority has the power to purchase bonds issued by a local agency at public or negotiated sale and may sell such bonds to public or private purchasers at public or negotiated sale.

NO CONTINUING DISCLOSURE

During the time that the 2008 Bonds bear interest at a Weekly Interest Rate, the 2008 Bonds are exempt from the continuing disclosure requirements of Securities Exchange Commission Rule 15c2-12(b)(5) (the "**Rule**"). Accordingly, no continuing disclosure with respect to the 2008 Bonds or the Authority will be provided to the owners of the 2008 Bonds so long as the 2008 Bonds bear interest at a Weekly Interest Rate. Pursuant to the Indenture, the Authority has covenanted and agreed that whenever a Long-Term Interest Rate Period is in effect with respect to the 2008 Bonds or if otherwise required by the Rule, it will comply with the continuing disclosure requirements as promulgated under the Rule.

The Authority has never failed to comply in all material respects with any previous undertakings with regard to the Rule to provide annual reports or notices of material events.

LEGAL OPINION

The proceedings in connection with the issuance of the 2008 Bonds are subject to the approval as to their validity of Orrick, Herrington & Sutcliffe LLP, San Francisco, California, Bond Counsel to the Authority. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. Certain legal matters will be passed upon by Jones Hall, A Professional Law Corporation, San Francisco, California, Disclosure Counsel to the Authority. Certain matters will be passed upon for the Authority and the City by the City Attorney of the City. The fees of Bond Counsel and Disclosure Counsel are contingent upon the issuance and delivery of the 2008 Bonds.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 2008 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “**Code**”) and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the 2008 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX C hereto.

To the extent the issue price of any maturity of the 2008 Bonds is less than the amount to be paid at maturity of such 2008 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such 2008 Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the 2008 Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the 2008 Bonds is the first price at which a substantial amount of such maturity of the 2008 Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the 2008 Bonds accrues daily over the term to maturity of such 2008 Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such 2008 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such 2008 Bonds. Beneficial Owners of the 2008 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of the 2008 Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such 2008 Bonds in the original offering to the public at the first price at which a substantial amount of such 2008 Bonds is sold to the public.

The 2008 Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("**Premium 2008 Bonds**") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like Premium 2008 Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium 2008 Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the 2008 Bonds. The Authority and the City have made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the 2008 Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the 2008 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the 2008 Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the 2008 Bonds may adversely affect the value of or the tax status of interest on the 2008 Bonds.

Although Bond Counsel is of the opinion that interest on the 2008 Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition, or the accrual or receipt of interest on, the 2008 Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the 2008 Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of, the 2008 Bonds. Prospective purchasers of the 2008 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

On November 5, 2007, the United States Supreme Court heard an appeal in the case of *Kentucky v. Davis*, in which a Kentucky state court had ruled that the United States Constitution prohibited the state from providing a tax exemption for interest on bonds issued by Kentucky and its political subdivisions but taxing interest on obligations issued by other states and their political subdivisions. California law is similar to Kentucky in taxing interest on out-of-state bonds. A ruling by the Supreme Court against the Kentucky law would not change the exemption from California personal income taxes of the interest on the 2008 Bonds, but the value of the 2008 Bonds may be adversely affected by changes in the demand for California-

origin bonds. There can be no assurance as to the outcome of the Davis case, the potential impact on market price or marketability of the 2008 Bonds which may result from a decision, or the likelihood of any future action by Congress on this subject.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the 2008 Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority and the City, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Authority and the City have covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the 2008 Bonds ends with the issuance of the 2008 Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Authority or the Beneficial Owners regarding the tax-exempt status of the 2008 Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Authority and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Authority legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the 2008 Bonds for audit, or the course or result such audit, or an audit of bonds presenting similar tax issues, may affect the market price for, or the marketability of, the 2008 Bonds and may cause the Authority or the Beneficial Owners to incur significant expense.

RATINGS

Fitch Ratings Inc. ("**Fitch**") and Standard & Poor's ("**S&P**") have given the 2008 Bonds ratings of "AA-/F1+" and "A+/A-1", respectively, based upon the Letter of Credit. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same. The City and the Authority have furnished to Fitch and S&P certain materials and information with respect to the Authority, the City and the 2008 Bonds. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. The Authority, the City and the Underwriter have undertaken no responsibility either to bring to the attention of the owners of the 2008 Bonds any proposed change in or withdrawal of any rating or to oppose any such proposed revision or withdrawal. Any such downward change in or withdrawal of the ratings might have an adverse effect on the market price or marketability of the 2008 Bonds.

FINANCIAL ADVISOR

The City has retained Public Financial Management, Inc., of San Francisco, California, as financial advisor (the “**Financial Advisor**”) in connection with the issuance of the 2008 Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. Public Financial Management, Inc., is an independent financial advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

UNDERWRITING

E. J. De La Rosa & Co. Inc. (the “**Underwriter**”) has agreed to purchase the 2008 Bonds, subject to certain conditions, at a price of \$38,299,012.50 (representing the par amount of the 2008 Bonds (\$38,395,000.00) less an Underwriter's discount of \$95,987.50). The Underwriter is committed to purchase all of the 2008 Bonds if any are purchased.

The public offering prices of the 2008 Bonds may be changed from time to time by the Underwriter. The Underwriter may offer and sell 2008 Bonds to certain dealers and others at a price lower than the public offering prices.

MISCELLANEOUS

All quotations from, and summaries and explanations of the Indenture, the 2008 Contract, the 2008 Bonds or other documents contained herein do not purport to be complete, and reference is made to said documents and statutes for full and complete statements of their provisions.

This Official Statement is submitted only in connection with the sale of the 2008 Bonds by the Authority. All estimates, assumptions, statistical information and other statements contained herein, while taken from sources considered reliable, are not guaranteed by the Authority, the City or the Underwriter. The information contained herein should not be construed as representing all conditions affecting the Authority, the City or the 2008 Bonds.

All information contained in this Official Statement pertaining to the Authority and the City has been furnished by the Authority and the City and the execution and delivery of this Official Statement has been duly authorized by the Authority and the City.

CITY OF PITTSBURG PUBLIC
FINANCING AUTHORITY

By: /s/ Matt Rodriguez
Acting Executive Director

CITY OF PITTSBURG

By: /s/ Matt Rodriguez
Assistant City Manager

APPENDIX A

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following are brief summaries of certain provisions of the Indenture and the 2008 Installment Purchase Contract, each dated as of May 1, 2008, pertaining to the issuance of the Bonds. These summaries do not purport to be comprehensive or definitive and are qualified in their entirety by reference to the full terms of the respective documents listed below. Capitalized terms not otherwise defined herein have the meaning specified in the respective document.

DEFINITIONS

The following are definitions of certain terms used in this Summary of Principal Legal Documents or elsewhere in this Official Statement:

“Accountant’s Certificate” means a certificate signed by an Independent Certified Public Accountant selected by the Authority.

“Accountant’s Report” means an audited financial report prepared and signed by an Independent Certified Public Accountant.

“Act” means the Joint Exercise of Powers Act (being Chapter 5 of Division 7 of Title 1 of the Government Code of the State, as amended) and all laws amendatory thereof or supplemental thereto.

“Additional Funding Amount” has the meaning ascribed to it in the provisions of the Indenture regarding General Provisions Relating to Tenders.

“Adjusted Net Revenues” means Net Revenues less all connection fees received by the City for water and other services of the Water system.

“All-Hold Rate” means, as of any Auction Date, fifty-five per cent (55%) of the Index in effect on such Auction Date.

“Alternate Credit Support Instrument” means a bond insurance policy, financial guaranty, letter of credit, line of credit, standby purchase agreement or similar agreement or any combination thereof issued by a commercial bank or other financial institution and delivered to the Tender Agent in accordance with the provision of the Indenture regarding Credit Support Instrument and Alternative Credit Support Instruments which replaces the Credit Support Instrument then in effect.

“Applicable ARB Rate” means, while the Bonds are in an ARB Interest Rate Period, the rate per annum at which interest accrues with respect to the Bonds for any Auction Period.

“ARBs” means, on any date, the Bonds in an ARB Interest Rate Period as to which interest accrues on such date as auction rate securities as provided in the provisions of the Indenture regarding ARB provisions and the Auction Procedures applicable thereto.

“ARB Beneficial Owner” means the Person who is the beneficial owner of an ARB according to the records of (i) the Securities Depository or its participants while such ARB is a Book-Entry Bond or (ii) the Trustee while the ARBs are not Book-Entry Bonds.

“ARB Default Rate” means the ARB Maximum Rate.

“ARB Interest Payment Date” means, with respect to ARBs,

(a) when used with respect to any Auction Period (including the initial Auction Period commencing on and including the effective date of a change in the Interest Rate Period to an ARB Interest Rate Period and expiring on and including the initial Auction Date (or, if such initial Auction Date is not followed by a Business Day, the next succeeding day that is followed by a Business Day) determined by the Authority in connection with a change in the Interest Rate Period to an ARB Interest Rate Period) other than a daily Auction Period or a Flexible Auction Period, the Business Day immediately following such Auction Period,

(b) when used with respect to a daily Auction Period, the first (1st) Business Day of the month immediately succeeding such Auction Period, and

(c) when used with respect to a Flexible Auction Period of (i) seven (7) or more but fewer than one hundred eighty-two (182) days, the Business Day immediately following such Flexible Auction Period, or (ii) one hundred eighty-two (182) or more days, each June 1 and December 1 and on the Business Day immediately following such Flexible Auction Period.

“ARB Interest Rate” means, for ARBs for each Auction Period, the rate of interest to be borne by the ARBs during that Auction Period, which ARB Interest Rate shall be determined in accordance with the Auction Procedures, and if Sufficient Clearing Bids exist, the ARB Interest Rate shall be the Winning Bid Rate; provided, that if all of the ARBs are the subject of Submitted Hold Orders, the ARB Interest Rate shall be the All-Hold Rate with regard to such ARBs, and if Sufficient Clearing Bids do not exist, the ARB Interest Rate shall be the ARB Maximum Rate.

“ARB Interest Rate Period” means each Interest Rate Period during which the Bonds are ARBs.

“ARB Maximum Rate” means twelve per cent (12%) per annum.

“ARB Payment Default” means (i) a default in the due and punctual payment of any installment of interest on ARBs or (ii) a default in the due and punctual payment of any principal of or premium, if any, on ARBs at stated maturity or pursuant to a mandatory redemption.

“Assumed Rate” means an assumed interest rate on a Variable Interest Rate Obligation for any period with respect to which the actual Variable Interest Rates on such Variable Interest Rate Obligation cannot be determined (including prospective periods and prior periods during which there were no actual Variable Interest Rates), and is equal to *The Bond Buyer* Revenue Bond Index, or if such index ceases to be published, any other index reasonably estimated to approximate the rates reflected in *The Bond Buyer* Revenue Bond Index, as selected by the Authority and approved in writing by the Credit Provider.

“Auction” means each periodic implementation of the Auction Procedures.

“Auction Agent” means any initial or successor or additional Person meeting the requirements of the Indenture regarding ARB provisions which is a party to an Auction Agent Agreement and agrees with the Trustee to perform the duties of the Auction Agent with respect to ARBs.

“Auction Agent Agreement” means, on any date, any initial, replacement or additional auction agent agreement in substantially the form of Exhibit D attached to the Indenture, as from time to time in effect.

“Auction Agent Fee” has the meaning provided in each Auction Agent Agreement.

“Auction Date” means, with respect to ARBs, during any period in which the Auction Procedures are not suspended in accordance with the provisions of the Indenture, (i) if the ARBs are in a daily Auction Period, each Business Day, (ii) if the ARBs are in a Flexible Auction Period, the last Business Day of the Flexible Auction Period, and (iii) if the ARBs are in any other Auction Period, the Business Day immediately preceding each ARB Interest Payment Date for such ARBs (whether or not an Auction will be conducted on such date); provided, that the last Auction Date with respect to ARBs in an Auction Period other than a daily Auction Period or a Flexible Auction Period will be the earlier of (a) the Business Day immediately preceding the ARB Interest Payment Date immediately preceding the effective date of a change in the Interest Rate Period from an ARB Interest Rate Period to a different Interest Rate Period for such ARBs and (b) the Business Day immediately preceding the ARB Interest Payment Date immediately preceding the Maturity Date for such ARBs; and provided further, that if such ARBs are in a daily Auction Period, the last Auction Date will be the earlier of (x) the Business Day immediately preceding the effective date of a change in the Interest Rate Period applicable to such ARBs from an ARB Interest Rate Period to a different Interest Rate Period and (y) the Business Day immediately preceding the Maturity Date for such ARBs; and provided further, that the last Business Day of a Flexible Auction Period shall be the Auction Date for the Auction Period which begins on the next succeeding Business Day, if any. On the Business Day preceding the conversion from a daily Auction Period to another Auction Period, there will be two Auctions, one for the last daily Auction Period and one for the first (1st) Auction Period following the conversion.

“Auction Period” means:

- (a) a Flexible Auction Period;
- (b) with respect to ARBs in a daily Auction Period, a period beginning on each Business Day and extending to but not including the next succeeding Business Day;
- (c) with respect to ARBs in a seven (7)-day Auction Period and with Auctions generally conducted on (i) Fridays, a period of generally seven (7) days beginning on a Monday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Sunday) and ending on the Sunday thereafter (unless such Sunday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (ii) Mondays, a period of generally seven (7) days beginning on a Tuesday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Monday) and ending on the Monday thereafter (unless such Monday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (iii) Tuesdays, a period of generally seven (7) days beginning on a Wednesday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Tuesday) and ending on the Tuesday thereafter (unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (iv) Wednesdays, a period of generally seven (7) days beginning on a Thursday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Wednesday) and ending on the Wednesday thereafter (unless such Wednesday is not followed by a Business Day, in which case

on the next succeeding day which is followed by a Business Day, provided, however, that if such Wednesday is the day before Thanksgiving Day, on the Monday following such Wednesday), and (v) Thursdays, a period of generally seven (7) days beginning on a Friday (or the day following the last day of the prior Auction Period if the prior Auction Period does not end on a Thursday) and ending on the Thursday thereafter (unless such Thursday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, provided, that if such Thursday is Thanksgiving Day, on the Monday following such Thursday);

(d) with respect to ARBs in a twenty-eight (28)-day Auction Period and with Auctions generally conducted on (i) Fridays, a period of generally twenty-eight (28) days beginning on a Monday (or the last day of the prior Auction Period if the prior Auction Period does not end on a Sunday) and ending on the fourth (4th) Sunday thereafter (unless such Sunday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (ii) Mondays, a period of generally twenty-eight (28) days beginning on a Tuesday (or the last day of the prior Auction Period if the prior Auction Period does not end on a Monday) and ending on the fourth (4th) Monday thereafter (unless such Monday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (iii) Tuesdays, a period of generally twenty-eight (28) days beginning on a Wednesday (or the last day of the prior Auction Period if the prior Auction Period does not end on a Tuesday) and ending on the fourth (4th) Tuesday thereafter (unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (iv) Wednesdays, a period of generally twenty-eight (28) days beginning on a Thursday (or the last day of the prior Auction Period if the prior Auction Period does not end on a Wednesday) and ending on the fourth (4th) Wednesday thereafter (unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, provided, that if such Wednesday is the day before Thanksgiving Day, on the Monday following such Wednesday), and (v) Thursdays, a period of generally twenty-eight (28) days beginning on a Friday (or the last day of the prior Auction Period if the prior Auction Period does not end on a Thursday) and ending on the fourth (4th) Thursday thereafter (unless such Thursday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, provided, that if such Thursday is Thanksgiving Day, on the Monday following such Thursday).

(e) with respect to ARBs in a thirty-five (35)-day Auction Period and with Auctions generally conducted on (i) Fridays, a period of generally thirty-five (35) days beginning on a Monday (or the last day of the prior Auction Period if the prior Auction Period does not end on Sunday) and ending on the fifth (5th) Sunday thereafter (unless such Sunday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (ii) Mondays, a period of generally thirty-five (35) days beginning on a Tuesday (or the last day of the prior Auction Period if the prior Auction Period does not end on Monday) and ending on the fifth (5th) Monday thereafter (unless such Monday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (iii) Tuesdays, a period of generally thirty-five (35) days beginning on a Wednesday (or the last day of the prior Auction Period if the prior Auction Period does not end on Tuesday) and ending on the fifth (5th) Tuesday thereafter (unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (iv) Wednesdays, a period of generally thirty-five (35) days beginning on a Thursday (or the last day of the prior Auction Period if the prior Auction Period does not end on Wednesday) and ending on the fifth (5th) Wednesday thereafter (unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, provided, that if such Wednesday is the day before Thanksgiving Day, on the Monday following such Wednesday), and

(v) Thursdays, a period of generally thirty-five (35) days beginning on a Friday (or the last day of the prior Auction Period if the prior Auction Period does not end on Thursday) and ending on the fifth (5th) Thursday thereafter (unless such Thursday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, provided, that if such Thursday is Thanksgiving Day, on the Monday following such Thursday);

(f) with respect to ARBs in a three (3)-month Auction Period, a period of generally three (3) months (or shorter period upon a conversion from another Auction Period) beginning on the day following the last day of the prior Auction Period and ending on the day that is ninety (90) days thereafter (unless such day is not Wednesday, in which case on the first (1st) Wednesday succeeding such day), provided, that if such day is not followed by a Business Day, on the next succeeding day which is followed by a Business Day and further provided that if such Wednesday is the day before Thanksgiving Day, on the Monday following such Wednesday; and

(g) with respect to ARBs in a six (6)-month Auction Period, a period of generally six (6) months (or shorter period upon a conversion from another Auction Period) beginning on the day following the last day of the prior Auction Period and ending on the day that is one hundred eighty (180) days thereafter (unless such day is not Wednesday, in which case on the first (1st) Wednesday succeeding such day), provided, that if such day is not followed by a Business Day, on the next succeeding day which is followed by a Business Day and further provided that if such Wednesday is the day before Thanksgiving Day, on the Monday following such Wednesday;

provided, that:

(a) if there is a conversion of ARBs with Auctions generally to be conducted on Fridays (i) from a daily Auction Period to a seven (7)-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the ARB Interest Payment Date for the prior Auction Period) and shall end on the next succeeding Sunday (unless such Sunday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (ii) from a daily Auction Period to a twenty-eight (28)-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the ARB Interest Payment Date for the prior Auction Period) and shall end on the Sunday (unless such Sunday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than twenty-one (21) days but not more than twenty-eight (28) days from such date of conversion, and (iii) from a daily Auction Period to a thirty-five (35)-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the ARB Interest Payment Date for the prior Auction Period) and shall end on Sunday (unless such Sunday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than twenty-eight (28) days but no more than thirty-five (35) days from such date of conversion;

(b) if there is a conversion of ARBs with Auctions generally to be conducted on Mondays (i) from a daily Auction Period to a seven (7)-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the ARB Interest Payment Date for the prior Auction Period) and shall end on the next succeeding Monday (unless such Monday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (ii) from a daily Auction Period to a twenty-eight (28)-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the ARB Interest Payment Date for the prior Auction Period) and shall end on the Monday (unless such Monday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than twenty-one (21) days but not more than twenty-eight (28) days from

such date of conversion, and (iii) from a daily Auction Period to a thirty-five (35)-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the ARB Interest Payment Date for the prior Auction Period) and shall end on Monday (unless such Monday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than twenty-eight (28) days but no more than thirty-five (35) days from such date of conversion;

(c) if there is a conversion of ARBs with Auctions generally to be conducted on Tuesdays (i) from a daily Auction Period to a seven (7)-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the ARB Interest Payment Date for the prior Auction Period) and shall end on the next succeeding Tuesday (unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (ii) from a daily Auction Period to a twenty-eight (28)-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the ARB Interest Payment Date for the prior Auction Period) and shall end on the Tuesday (unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than twenty-one (21) days but not more than twenty-eight (28) days from such date of conversion, and (iii) from a daily Auction Period to a thirty-five (35)-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the ARB Interest Payment Date for the prior Auction Period) and shall end on Tuesday (unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than twenty-eight (28) days but no more than thirty-five (35) days from such date of conversion;

(d) if there is a conversion of ARBs with Auctions generally to be conducted on Wednesdays (i) from a daily Auction Period to a seven (7)-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the ARB Interest Payment Date for the prior Auction Period) and shall end on the next succeeding Wednesday (unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (ii) from a daily Auction Period to a twenty-eight (28)-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the ARB Interest Payment Date for the prior Auction Period) and shall end on the Wednesday (unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than twenty-one (21) days but not more than twenty-eight (28) days from such date of conversion, and (iii) from a daily Auction Period to a thirty-five (35)-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the ARB Interest Payment Date for the prior Auction Period) and shall end on Wednesday (unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than twenty-eight (28) days but no more than thirty-five (35) days from such date of conversion; and

(e) if there is a conversion of ARBs with Auctions generally to be conducted on Thursdays (i) from a daily Auction Period to a seven (7)-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the ARB Interest Payment Date for the prior Auction Period) and shall end on the next succeeding Thursday (unless such Thursday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day), (ii) from a daily Auction Period to a twenty-eight (28)-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the ARB Interest Payment Date for the prior Auction Period) and shall end on the Thursday (unless such Thursday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than twenty-one (21) days but not more than twenty-eight (28) days from

such date of conversion, and (iii) from a daily Auction Period to a thirty-five (35)-day Auction Period, the next Auction Period shall begin on the date of the conversion (i.e. the ARB Interest Payment Date for the prior Auction Period) and shall end on Thursday (unless such Thursday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day) which is more than twenty-eight (28) days but no more than thirty-five (35) days from such date of conversion;

provided further, that any Auction Period that is greater than thirty-five (35) days may be extended as provided in the Auction Procedures.

“Auction Procedures” means the procedures for conducting Auctions for ARBs during an ARB Interest Rate Period set forth in Exhibit B attached to the Indenture.

“Authority” means the City of Pittsburg Public Financing Authority, a public body, corporate and politic, duly organized and existing under and pursuant to the Act.

“Authority Swap Payments” means, with respect to a Qualified Swap Agreement, the regularly scheduled payments payable by the Authority under such Qualified Swap Agreement, without regard to netting of payments payable by the counterparty to the Authority thereunder.

“Authorized Authority Representative” means the Chair of the Authority, the Executive Director of the Authority and any other officer of the Authority duly authorized to act as an Authorized Authority Representative for purposes of the Indenture by the Authority or written authorization of the Chair of the Authority.

“Authorized Denominations” means with respect to the Bonds in any (i) Long-Term Interest Rate Period, \$5,000 and any integral multiple thereof; (ii) Daily Interest Rate Period or Weekly Interest Rate Period, \$100,000 and any integral multiple of \$5,000 in excess of \$100,000, (iii) Index Interest Rate Period, \$25,000 and any integral multiple thereof and (iv) ARB Interest Rate Period, \$25,000 and any integral multiple thereof.

“Available Moneys” means (a) during any period in which a Credit Support Instrument is in effect with respect to the Outstanding Bonds, (i) funds received by the Trustee pursuant to any Credit Support Instrument; (ii) remarketing proceeds received by the Tender Agent from the Remarketing Agent or any purchaser of Bonds (other than funds provided by the Authority or any affiliate of the Authority); (iii) moneys which have been continuously on deposit with the Trustee (A) held in any separate and segregated fund, account or subaccount established under the Indenture in which no other moneys which are not Available Moneys are held, and (B) which have so been on deposit with the Trustee for at least 124 consecutive days from their receipt by the Trustee and not commingled with any moneys so held for less than said period and during and prior to which period, and as of the date of the application thereof to a payment with respect to the Bonds, no Event of Bankruptcy has occurred with respect to the Authority; (iv) any other moneys if there is delivered to the Trustee at the time such moneys are deposited with the Trustee an opinion of counsel (which may assume that no Owner of Bonds is an “insider” within the meaning of the Federal Bankruptcy Code) from a firm experienced in bankruptcy matters to the effect that the use of such moneys to pay amounts due on Bonds would not be recoverable from the Owners thereof pursuant to Section 550 of the Federal Bankruptcy Code as avoidable preferential payments under Section 547 of the Federal Bankruptcy Code in the event of the occurrence of an Event of Bankruptcy with respect to the Authority; or (v) proceeds of the investment of funds qualifying as Available Moneys under the foregoing clauses; or (b) during

any period in which no Credit Support Instrument is in effect with respect to the Outstanding Bonds, any moneys deposited with the Trustee.

“Balloon Obligation” means any Parity Obligation designated as such in such obligation or in the related Issuing Document.

“Balloon Payments” means any payments designated as such in any Balloon Obligation or in the related Issuing Document.

“Beneficial Owner” means any Person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any of the Bonds (including any Person holding Bonds through nominees, depositories or other intermediaries).

“Bid” has the meaning provided in the Auction Procedures.

“Bond Counsel” means Orrick, Herrington & Sutcliffe LLP or another attorney or firm of attorneys of recognized national standing in the field of law relating to municipal securities and to exclusion of interest thereon from income for federal income tax purposes selected by the Authority.

“Bond Purchase Fund” means the “Bond Purchase Fund” established pursuant to the provisions of the Indenture regarding General Provisions Relating to Tenders.

“Bond Register” means the registration books for the ownership of Bonds maintained by the Trustee pursuant to the provisions of the Indenture regarding the Bond Register.

“Bondowner” or “Owner” means, with respect to a Bond, the registered owner of such Bond as set forth in the Bond Register.

“Bonds” means the City of Pittsburg Public Financing Authority Water Revenue Refunding Bonds, Series 2008.

“Book-Entry Bonds” means Bonds registered in the name of a nominee of DTC or any successor Securities Depository for the Bonds, or a nominee thereof, as the registered owner thereof pursuant to the terms and provisions of the Indenture regarding Book-Entry Bonds.

“Broker-Dealer” means any initial, successor or additional broker or dealer (each as defined in the Securities Exchange Act of 1934), commercial bank or other entity permitted by law to perform the functions required of a Broker-Dealer set forth in the Auction Procedures which (i) is a participant in or member of the Securities Depository as determined by the rules or bylaws of the Securities Depository (or an affiliate of such a participant or member), (ii) has been appointed as such by the Authority pursuant to the provisions of the Indenture regarding ARB provisions, and (iii) has entered into a Broker-Dealer Agreement that is in effect on the date of reference.

“Broker-Dealer Agreement” means, on any date, a broker-dealer agreement in substantially the form of Exhibit E attached to the Indenture among the Trustee, the Auction Agent and a Broker-Dealer pursuant to which the Broker-Dealer agrees to participate in Auctions as set forth in the Auction Procedures, as from time to time amended or supplemented.

“Business Day” means any day of the year other than (a) a Saturday, (b) a Sunday, (c) any day which shall be in San Francisco, California or New York, New York a legal holiday or a day on which banking institutions are authorized or required by law or other government action to close, and (d) any day the city or cities in which the principal or other designated corporate office of the Trustee, the Tender Agent, the Remarketing Agent or the Credit Provider (if any) is located are required or authorized to close.

“Calendar Week” means, with respect to the Bonds in a Weekly Interest Rate Period, the period during which interest accrues with respect to the Bonds at a particular Weekly Interest Rate and will be the period from Thursday of one week (whether or not a Business Day) to and including the Wednesday of the following week (whether or not a Business Day); provided that the initial Calendar Week for each Weekly Interest Rate Period shall be the period from the first day of such Weekly Interest Rate Period to the next succeeding Wednesday (whether or not a Business Day); and provided further that the final Calendar Week for a Weekly Interest Rate Period which ends on a day other than a Wednesday shall be the period from the Thursday (whether or not a Business Day) preceding the last day of such Weekly Interest Rate Period to the last day of such Weekly Interest Rate Period.

“Capitalized Interest Subaccount” means the subaccount of the Interest Account by that name in the Revenue Fund established by the provisions of the Indenture regarding Funds.

“City” means the City of Pittsburg, a municipal corporation duly organized and existing under and by virtue of the Constitution and laws of the State.

“Code” means the Internal Revenue Code of 1986, as amended from time to time. Each reference to a section of the Code in the Indenture shall be deemed to include the applicable United States Treasury Regulations thereunder and also includes all amendments and successor provisions unless the context clearly requires otherwise.

“Conversion” means a conversion of the Bonds from one Interest Rate Period to another Interest Rate Period and, with respect to Bonds in a Long-Term Interest Rate Period, the establishment of another Long-Term Interest Rate Period for the Bonds.

“Conversion Date” means the effective date of a Conversion.

“Costs of Issuance” means, to the extent permitted by law, all items of expense directly or indirectly payable by or reimbursable to the Authority and related to the original authorization, execution, sale and delivery of the Bonds, including but not limited to advertising and printing costs, costs of preparation and reproduction of documents, including disclosure documents and documents relating to the sale of such Bonds, initial fees and charges (including counsel fees) of any fiscal agent, any paying agent and any Credit Provider, legal fees and charges, financial advisor fees and expenses, fees and expenses of other consultants and professionals, rating agency fees, fees and charges for preparation, execution, transportation and safekeeping of Bonds and any other cost, charge or fee in connection with the authorization, issuance, sale or original delivery of the Bonds or other Obligations.

“Costs of Issuance Fund” shall mean the Costs of Issuance Fund established pursuant to the provisions of the Indenture regarding the Costs of Issuance Fund.

“Costs of the Project” means all items of expense directly or indirectly payable by or reimbursable to the City and related to the 2005 Water Project, including the acquisition and

construction of those certain additions, betterments, extensions and improvements to the water system of the City and costs incurred by the City for the administration and management of such acquisition and construction.

“Coverage Requirement” means, for any Fiscal Year or any other period, (a) with respect to Net Revenues, an amount of Net Revenues equal to at least one hundred twenty-five per cent (125%) of the Parity Debt Service for such Fiscal Year or such other period, as applicable, and (b) with respect to Adjusted Net Revenues, an amount equal to one hundred per cent (100%) of the Parity Debt Service for such Fiscal Year or such other period, as applicable.

“Credit Provider” means any municipal bond insurance company, bank or other financial institution or organization which is performing in all material respects its obligations under any Credit Support Instrument for some or all of the Obligations.

“Credit Provider Bonds” means any Bonds paid as to Purchase Price with funds provided under a Credit Support Instrument for so long as such Bonds are held by or for the account of, or are pledged to, the applicable Credit Provider or any assignee thereof in accordance with the applicable Credit Support Agreement.

“Credit Provider Reimbursement Obligations” means obligations of the Authority or the City to pay from the Revenues amounts due under a Credit Support Agreement, including without limitation amounts advanced by a Credit Provider pursuant to a Credit Support Instrument as credit support or liquidity for Obligations and the interest with respect thereto.

“Credit Support Agreement” means, with respect to any Credit Support Instrument, the agreement or agreements (which may be the Credit Support Instrument itself) between the Authority or the City and the applicable Credit Provider, as originally executed or as it may from time to time be replaced, supplemented or amended in accordance with the provisions thereof, providing for the reimbursement to the Credit Provider for payments under such Credit Support Instrument or for extensions of credit made to the Authority by the Credit Provider, and the interest thereon, and includes any subsequent agreement pursuant to which an Alternate Credit Support Instrument is provided, together with any related pledge agreement, security agreement or other security document.

“Credit Support Instrument” means a policy of insurance, a letter of credit, a stand-by purchase agreement, revolving credit agreement or other credit arrangement pursuant to which a Credit Provider provides credit and/or liquidity support with respect to the payment of interest, principal, Redemption Price or Purchase Price of any Obligations but shall not include a Reserve Financial Guaranty.

“Credit Support Instrument Account” means the account by that name in the Bond Purchase Fund established pursuant to the provisions of the Indenture regarding General Provisions Relating to Tenders.

“Credit Support Instrument Fund” means the account by that name established pursuant to the provisions of the Indenture regarding the Credit Support Instrument Fund.

“Credit Support Instrument Rate” means, collectively, the rates per annum, if any, specified as applicable to Credit Provider Bonds in the related Credit Support Instrument.

“Daily Interest Rate” means an interest rate with respect to the Bonds in a Daily Interest Rate Period established in accordance with the provisions of the Indenture regarding the Daily Interest Rate Period.

“Daily Interest Rate Period” shall mean each Interest Rate Period during which Daily Interest Rates are in effect.

“Date of Operation” means, with respect to any uncompleted Water Project, the estimated date by which such Water Project will have been completed and, in the opinion of the City, will be ready for use and operation by the City.

“Debt Service Reserve Account” means the Debt Service Reserve Account, and any account thereof, established pursuant to the provisions of the Indenture regarding Funds.

“Debt Service Reserve Requirement” means an amount equal to \$2,270,532.60.

“Delivery Date” means May 8, 2008.

“Depository” means any bank or trust company organized under the laws of any state of the United States (including the Trustee and its affiliates), or any national banking association which is willing and able to accept the office on reasonable and customary terms, authorized by law to act in accordance with the provisions of the Indenture.

“Drawing Time” means, with respect to any Credit Support Instrument, the time specified therein by which the Tender Agent must submit a draw request in order to receive immediately available funds to pay the Purchase Price of on the Bonds.

“DTC” means The Depository Trust Company, a limited purpose trust company organized under the laws of the State of New York or its successors and assigns. References in the Indenture to DTC shall include any Nominee of DTC in whose name any Bond is registered.

“Electronic” means, with respect to notice, notice through telecopy, telegraph, telex, facsimile transmission, internet, e-mail, dedicated electronic link or other electronic means of communication capable of producing a written record.

“Escheat Period” means, with respect to any money held by the Trustee in trust for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds, a period beginning on the date such payment was due and ending on the date sixty (60) days prior to the date on which such money would escheat to the State by operation of applicable law.

“Event of Bankruptcy” means any of the following with respect to any Person: (a) the commencement by such person of a voluntary case under the Federal Bankruptcy Code or any other applicable federal or state bankruptcy, insolvency or similar laws; (b) failure by such Person to timely controvert the filing of a petition with a court having jurisdiction over such Person to commence an involuntary case against such person under the Federal Bankruptcy Code or any other applicable federal or state bankruptcy, insolvency or similar laws; (c) such Person shall admit in writing its inability to pay its debts generally as they become due; (d) a receiver, trustee, custodian or liquidator of such Person or such Person’s assets shall be appointed in any proceeding brought against the Person or such Person’s assets; (e) assignment of assets by such person for the benefit of its creditors; or (f) the entry by such Person into an agreement of composition with its creditors.

“Event of Default” means an event described as such in the Indenture or an event defined as such in the 2008 Installment Purchase Contract.

“Existing Owner” means, with respect to any Auction, a person who is listed as the beneficial owner of ARBs in the records of the Auction Agent.

“Expiration Date” means (i) the date upon which a Credit Support Instrument is scheduled to expire (taking into account any extensions of such Expiration Date by virtue of extensions of a particular Credit Support Instrument, from time to time) or terminate in accordance with its terms, including without limitation, termination upon delivery of an Alternate Credit Support Instrument to the Trustee and (ii) the date upon which a Credit Support Instrument terminates following voluntary termination by the Authority pursuant to the provisions of the Indenture regarding Termination of Credit Support Instrument and Purchase by Credit Provider and Notices.

“Favorable Opinion of Bond Counsel” means, with respect to any action requiring such an opinion, an Opinion of Bond Counsel to the effect that such action shall not, in and of itself, adversely affect the Tax-Exempt status of interest on the Bonds or such portion thereof as shall be specified in the provisions of the Indenture or the Supplemental Indenture requiring such an opinion.

“Federal Bankruptcy Code” means Title 11 of the United States Code entitled “Bankruptcy,” as the same may be amended and supplemented, and any successor statute.

“Federal Securities” means obligations of, or obligations guaranteed as to principal and interest by, the United States of America or any Authority or instrumentality thereof, when such obligations are backed by the full faith and credit of the United States of America, including U.S. treasury obligations, all direct or fully guaranteed obligations, Farmers Home Administration, guaranteed Title XI financing, Government National Mortgage Association (GNMA) and State and Local Government Series.

“Fiscal Year” means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other twelve-month period selected and designated as the official Fiscal Year of the Authority.

“Fitch” means Fitch, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors or assigns, but only to the extent that such entity is then rating any Parity Bonds at the request of the Authority.

“Fixed Index Interest Rate Conversion Date” means the Conversion Date for the Bonds to an Index Interest Rate for which the Authority has irrevocably elected an Index Interest Rate Period ending on the day immediately preceding the Maturity Date.

“Fixed Rate Conversion Date” means the Conversion Date for the Bonds to a Long-Term Interest Rate for a Long-Term Interest Rate Period ending on the day immediately preceding the Maturity Date.

“Flexible Auction Period” means, with respect to ARBs, (a) any period one hundred eighty-two (182) days or less which is divisible by seven (7) and begins on an ARB Interest Payment Date and ends (i) in the case of ARBs with Auctions generally conducted on Fridays, on a Sunday unless such Sunday is not followed by a Business Day, in which case on the next

succeeding day which is followed by a Business Day, (ii) in the case of ARBs with Auctions generally conducted on Mondays, on a Monday unless such Monday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, (iii) in the case of ARBs with Auctions generally conducted on Tuesdays, on a Tuesday unless such Tuesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, (iv) in the case of ARBs with Auctions generally conducted on Wednesdays, on a Wednesday unless such Wednesday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day, and (v) in the case of ARBs with Auctions generally conducted on Thursdays, on a Thursday unless such Thursday is not followed by a Business Day, in which case on the next succeeding day which is followed by a Business Day or (b) any period which is longer than one hundred eighty-two (182) days, which begins on an ARB Interest Payment Date and ends not later than the final scheduled Maturity Date of such ARBs.

“Generally Accepted Accounting Principles” means generally accepted accounting principles applied on a consistent basis set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants applicable to a government-owned utility applying all statements and interpretations issued by the Governmental Accounting Standards Board and statements and pronouncements of the Financial Accounting Standards Board which are not in conflict with the statements and interpretations issued by the Governmental Accounting Standards Board or in such other statements by such other entity as may be approved by a significant segment of the accounting profession, that are applicable to the circumstances as of the date of determination.

“Hold Order” has the meaning provided in the Auction Procedures.

“Initial Series 2008 Credit Provider” means Allied Irish Banks, p.l.c., New York Branch which shall be deemed a Credit Provider for purposes of this Indenture.

“Initial Series 2008 Remarketing Agent” means E.J. de la Rosa & Co., Inc. which shall be deemed a Remarketing Agent for purposes of this Indenture.

“Indenture” or “2008 Indenture” means that certain 2008 Indenture dated as of May 1, 2008, by and between the Authority and the 2008 Trustee, as originally executed and as it may from time to time be amended or supplemented in accordance with its terms.

“Independent Certified Public Accountant” means any certified public accountant or firm of such accountants duly licensed and entitled to practice and practicing as such under the laws of the State of California, appointed and paid by the Authority, and who, or each of whom:

- (1) is in fact independent and not under the domination of the Authority;
- (2) does not have any substantial interest, direct or indirect, with the Authority; and
- (3) is not connected with the Authority as a member, officer or employee of the Authority, but who may be regularly retained to make annual or other audits of the books of or reports to the Authority.

“Independent Financial Consultant” means any financial consultant specializing in municipal finance, appointed and paid by the City, and who –

- (1) is in fact independent and not under the domination of the City;
- (2) does not have a substantial financial interest, direct or indirect, in the operations of the City; and
- (3) is not connected with the City as a councilmember, officer or employee of the City, but may be regularly retained by the City to provide consulting services.

“Index” has the meaning, with respect to ARBs, provided in the Auction Procedures.

“Index Bond Calculation Period” for any Index Bond means the period from and including each Interest Accrual Date for the Index Bond to but excluding the next succeeding Interest Payment Date for the Index Bond.

“Index Bond Reset Date” means the day on which the interest rate will be reset and such day will be the first Business Day of each month.

“Index Bonds” means Bonds bearing interest at an Index Interest Rate.

“Index Interest Rate” means, for any Index Bond Calculation Period, a per annum rate equal to the weighted arithmetic average of the MMD Adjusted Rate in effect for each day in the Index Bond Calculation Period, calculated by multiplying each such MMD Adjusted Rate by the number of days such MMD Adjusted Rate is in effect, determining the sum of such products and dividing such sum by the number of days in the Index Bond Calculation Period, all as set forth in the Indenture, but not to exceed the Maximum Interest Rate.

“Index Interest Rate Period” means each Interest Rate Period during which Index Interest Rates are in effect.

“Information Services” means any of the following services which has been designated in a certificate of the Authority delivered to the Trustee: Financial Information, Inc.’s “Daily Called Bond Service”, 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; FIS/Mergent, Inc., 5250 77 Center Drive, Suite 150, Charlotte, North Carolina 28217, Attn: Call Notification; Standard & Poor’s Securities Evaluation, Inc., 55 Water Street, 45th Floor, New York, New York 10041, Attention: Notification Department; Xcitek, 5 Hanover Square, New York, New York 10004; or such other services providing information with respect to called bonds as the Authority may designate in a certificate of the Authority delivered to the Trustee.

“Interest Account” means the account by that name in the Revenue Fund established pursuant to the provisions of the Indenture regarding Funds.

“Interest Payment Date” means (i) with respect to each Daily Interest Rate Period, the fifth Business Day of each calendar month, (ii) with respect to each Weekly Interest Rate Period, the first Business Day of each calendar month; (iii) with respect to each Long-Term Interest Rate Period, each December 1 and June 1 or if any such December 1 and June 1 is not a Business Day, the next succeeding Business Day; provided that the first interest payment made for any Long-Term Interest Rate Period shall be at least ninety (90) days from the first day of such period; (iv) with respect to each Index Interest Rate Period, the first Business Day of each calendar month and the Maturity Date; (v) with respect to each ARB Interest Rate Period, each ARB Interest Payment Date; (vi) with respect to each Interest Rate Period, the day next succeeding the last day thereof; and (vii) with respect to Credit Provider Bonds, the dates set forth in the applicable Credit Support Instrument.

“Interest Rate Period” means a Daily Interest Rate Period, a Weekly Interest Rate Period, a Long-Term Interest Rate Period, an Index Interest Rate Period or an ARB Interest Rate Period.

“Issuing Document” means any indenture, trust agreement or other document that provides for the issuance of Parity Bonds or Parity Obligations.

“Long-Term Conversion Date” means the date on which the Bonds begin to bear interest at a Long-Term Interest Rate pursuant to the provisions of the Indenture regarding Long Term Interest Rate Period and such term shall include the Fixed Rate Conversion Date for the Bonds.

“Long-Term Interest Rate” means an interest rate with respect to the Bonds during a Long-Term Interest Rate Period established in accordance with the provisions of the Indenture regarding Long-Term Interest Rate Period.

“Long-Term Interest Rate Period” means each Interest Rate Period during which a Long-Term Interest Rate is in effect with respect to the Bonds.

“Maintenance and Operation Costs” means the reasonable and necessary costs paid or incurred by the City for maintaining and operating the Water System, determined in accordance with Generally Accepted Accounting Principles, including all costs of water purchased or otherwise acquired for the Water System and all costs of treating water for the Water System and all expenses necessary to maintain and preserve the Water System in good repair and working order and including all administrative and management costs of the City that are charged directly or apportioned to the operation of the Water System, such as salaries and wages of employees, overhead, taxes (if any) and insurance premiums, and including all other reasonable and necessary costs of the City or charges required to be paid by it to comply with the terms of the 2008 Contract or of any resolution authorizing the issuance of any Parity Bonds or of such Parity Bonds or of any resolution authorizing the execution of any Contract or of such Contract, such as compensation, reimbursement and indemnification of the trustee for any such Parity Bonds or Contract and fees and expenses of Independent Certified Public Accountants and independent engineers, but excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles.

“Maturity Date” means June 1, 2035.

“Maximum Interest Rate” means: (i) with respect to Bonds other than ARBs and Credit Provider Bonds, twelve percent (12%) per annum; (ii) with respect to ARBs, the ARB Maximum Rate; and (iii) with respect to Credit Provider Bonds, the Maximum Lawful Rate; provided, however, that the Maximum Interest Rate for any Bond shall not exceed the Maximum Lawful Rate.

“Maximum Lawful Rate” means the maximum rate of interest on the relevant obligation permitted by applicable law which, as of the date of this Trust Agreement, is twelve percent (12%) per annum for all Bonds other than Credit Provider Bonds.

“MMD” means the AAA Municipal Market Data General Obligation Yield Curve for a MMD Maturity as available through the Thompson Municipal Market Monitor (www.tm3.com) and the Municipal Market Data-Line (i) on each day prior to each Index Bond Reset Date or (ii) if the MMD is not published or provided on that day, then the MMD will be the MMD for the next preceding Business Day. If the MMD as described in (i) and (ii) is not available, then the MMD will be a comparable or successor index selected by the Authority. The MMD as so determined

shall be effective for each period from the Index Bond Reset Date through but not including the next Index Bond Reset Date.

“MMD Adjusted Rate” means a per annum rate equal to the MMD Initial Rate plus or minus the change in the MMD since the date of adjustment, provided that the MMD Adjusted Rate shall never be more than the Maximum Interest Rate. The MMD Adjusted Rate as so determined shall be effective for each period from the Index Bond Reset Date through but not including the next Index Bond Reset Date.

“MMD Initial Rate” means the applicable rate for each Index Bond as designated by the Authority at the date of adjustment to an Index Interest Rate Period. The MMD Initial Rate shall be effective for the period from date of adjustment through but not including the first Index Bond Reset Date.

“MMD Maturity” means a specific year or period of one year or any multiple of one year as designated by the Treasurer at the date of adjustment to an Index Rate Period.

“Moody’s” means Moody’s Investors Service, a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors or assigns, but only to the extent that such entity is then rating any Parity Bonds at the request of the Authority..

“Net Payment” means with respect to a Qualified Swap Agreement, the net amount payable or receivable by the Authority in connection with each scheduled payment date (other than Termination Payments) under such Qualified Swap Agreement. For purposes of the calculations required in the Indenture, if a Net Payment is payable by the Authority, it shall be expressed as a positive number and if a Net Payment is receivable by the Authority, it shall be expressed as a negative number.

“Net Revenues” means, for any Fiscal Year, the Revenues during such Fiscal Year less the Maintenance and Operation Costs during such Fiscal Year.

“Nominee” means the nominee of the Securities Depository for the Book-Entry Bonds in whose name such Bonds are to be registered. The initial Nominee shall be Cede & Co., as the nominee of DTC.

“Notice of ARB Payment Default” means notice pursuant to the provisions of the Indenture regarding ARB Payment Defaults to the Auction Agent and each Broker-Dealer that there has been an ARB Payment Default.

“Notice of Cure of ARB Payment Default” means a notice substantially in the form of Exhibit C attached to the Indenture.

“Notice of Mandatory Tender at the Direction of the Initial Series 2008 Credit Provider” means the notice provided in the Credit Support Instrument to the effect that Credit Provider’s obligation to advance funds under a Credit Support Instrument terminates as of the date specified in such notice due to the occurrence of an event of default under such Credit Support Instrument (other than an event of default under such Credit Support Instrument which causes such Credit Support Instrument to terminate immediately without notice or demand).

“Obligations” means (a) the Bonds, (b) obligations payable from the Revenues and entered into in connection with, or relating to, a Qualified Swap Agreement, including Net Payments; and (c) Credit Provider Reimbursement Obligations.

“One Month USD LIBOR Rate” means the British Banker’s Association average of interbank offered rates in the London market for United States dollar deposits for a one month period as reported in the Wall Street Journal or, if not reported in such newspaper, as reported in such other source as may be selected by the Authority.

“Opinion of Bond Counsel” means a written opinion signed by Bond Counsel.

“Order” means a Hold Order, Bid or Sell Order.

“Outstanding” when used as of any particular time with respect to the Bonds, means, except as otherwise provided in the provisions of the Indenture regarding Amendments to Indenture, all Bonds theretofore or thereupon being issued by the Authority, except (a) Bonds theretofore cancelled or surrendered for cancellation; (b) Bonds paid or deemed to be paid within the meaning of the Indenture regarding Defeasance; and (c) Bonds in lieu of or in substitution for which replacement Bonds have been issued.

“Parity Bonds” means the 2008 Bonds and all other water revenue bonds of the Authority secured by Parity Installment Payments.

“Parity City Bonds” means all water revenue bonds of the City authorized, executed, issued and delivered by the City under and pursuant to applicable law which are secured by a pledge of and lien on the Net Revenues on parity with the security for the Parity Installment Payments.

“Parity Contracts” means the 2008 Contract and all other installment purchase contracts executed by the City under and pursuant to applicable law, the installment payments under which are secured by a pledge of and lien on the Net Revenues on a parity with the security for the 2008 Installment Payments and the Parity City Bonds.

“Parity Debt Service” means, with respect to any Parity Obligation for any period of calculation, those portions of the payments of interest on and principal and redemption premiums, if any, required to be made during such period under such Parity Obligation, less any such interest that is to be paid from proceeds of such Parity Obligation, less the earnings to be derived from the investment of moneys on deposit in debt service reserve funds and capitalized interest funds established for such Parity Obligation; provided, that for purposes of the calculation of Parity Debt Service, the following shall apply:

(A) Interest on Variable Interest Rate Obligations. Interest on any Variable Interest Rate Obligation shall be deemed to be at the following interest rate or rates:

(1) for periods with respect to which the actual Variable Interest Rates on such Variable Interest Rate Obligation can be determined, the interest rates on such contract shall be such actual Variable Interest Rates for such periods; and

(2) for periods with respect to which the actual Variable Interest Rates on such Variable Interest Rate Obligation cannot be determined (including prospective periods and prior periods during which there was no actual Variable Interest Rate), the Variable Interest Rate on such obligation shall be the Assumed Rate.

(B) Interest on Parity Obligations with respect to which a Payment Agreement is in force. For purposes of the definition of Parity Debt Service, interest deemed to

be payable on any Parity Obligation with respect to which a Payment Agreement is in force shall be based on the net economic effect on the City expected to be produced by the terms of such Parity Obligation and such Payment Agreement, including but not limited to the effects that (i) such Parity Obligation would, but for such Payment Agreement, be treated as an obligation bearing interest at a Variable Interest Rate instead shall be treated as an obligation bearing interest at a fixed interest rate, and (ii) such Parity Obligation would, but for such Payment Agreement, be treated as an obligation bearing interest at a fixed interest rate instead shall be treated as an obligation bearing interest at a Variable Interest Rate; and accordingly, the amount of interest deemed to be payable on any Parity Obligation with respect to which a Payment Agreement is in force shall be an amount equal to the amount of interest that would be payable at the rate or rates stated in such Parity Obligation plus the applicable Payment Agreement Payments minus the applicable Payment Agreement Receipts, and for the purpose of calculating as nearly as practicable the Payment Agreement Receipts and the Payment Agreement Payments under such Parity Obligation, the following assumptions shall be made:

- (1) City Obligated to Pay Net Variable Payments. If a Payment Agreement has been entered into by the City with respect to a Parity Obligation resulting in the payment of a net variable interest rate with respect to such Parity Obligation and Payment Agreement by the City, the interest rate on such Parity Obligation for future periods when the actual interest rate cannot yet be determined shall be assumed, during the period the Payment Agreement is in effect, to be equal to the sum of (i) the fixed rate or rates stated in such Parity Obligation, minus (ii) the fixed rate paid by the Qualified Counterparty to the City, plus (iii) the lesser of (A) the interest rate cap, if any, provided by a Qualified Counterparty with respect to such Payment Agreement (but only during the period that such interest rate cap is in effect) and (B) the Assumed Rate; and
- (2) City Obligated to Pay Net Fixed Payments. If a Payment Agreement has been entered into by the City with respect to a Parity Obligation resulting in the payment of a net fixed interest rate with respect to such Parity Obligation and Payment Agreement by the City, the interest on such Parity Obligation shall be included in the calculation of the Parity Debt Service during the period the Payment Agreement is in effect by including for each calculation period an amount equal to the amount of interest payable at the fixed interest rate pursuant to such Payment Agreement;
 - (C) For purposes of calculating the Parity Debt Service on any Balloon Obligation, it shall be assumed that the principal of such Balloon Obligation will be amortized in a manner resulting in approximately equal annual installments of debt service over a term of thirty (30) years, at an assumed interest rate equal to the Assumed Rate;
 - (D) For purposes of any Parity Obligation or portions thereof the debt service requirements under which contain no current interest component but which are sold at a discount and which discount accretes with respect to such Parity Obligation or portions thereof, such accreted discount shall be treated as interest in the calculation of Parity Debt Service;
 - (E) For purposes of any Parity Obligations that constitute paired obligations, the interest rate on such Parity Obligations shall be the resulting linked rate or the effective fixed interest rate to be paid by the City with respect to such paired obligations; and
 - (F) The amount on deposit in a debt service reserve fund with respect to a Parity Obligation on any date of calculation of Parity Debt Service shall be deducted from the amount of principal due at the final maturity of such Parity Obligation to the extent the amount in such debt service reserve fund is in excess of such amount of principal, such excess shall be applied to the full amount of principal due, in each preceding year, in inverse order of due date, until such amount is exhausted.

“Parity Installment Payments” means the installment payments payable under the 2008 Contract and all other Parity Contracts.

“Parity Installment Payment Date” means any date on which Parity Installment Payments are scheduled to be paid by the City under any Parity Contract.

“Parity Installment Payment Fund” means the City of Pittsburg Public Financing Authority Water Revenue Bonds Revenue Fund established pursuant to the provisions of the Indenture regarding Funds.

“Parity Obligations” means all Parity Contracts, Credit Provider Reimbursement Obligations, all Parity City Bonds and the scheduled payments (but not any Termination Payment) under any Payment Agreement which have been designated by the City as a “Parity Obligation” in the Payment Agreement or in the Contract or Issuing Document for the related Parity Obligations.

“Participants” means, with respect to a Securities Depository for Book-Entry Bonds, those participants listed in such Securities Depository’s book-entry system as having an interest in such Bonds.

“Paying Agent” means the Trustee and any banking corporation, banking association or trust company designated as paying agent for the Bonds pursuant to the provisions of the Indenture regarding the Trustee or the Paying Agent, and its successor or successors appointed in the manner provided in the Indenture.

“Payment Agreement” means a written agreement for the purpose of managing or reducing the City’s exposure to fluctuations in interest rates or for any other interest rate, investment, asset or liability managing purposes, entered into either on a current or forward basis by the City and a Qualified Counterparty as authorized under any applicable laws of the State in connection with, or incidental to, the entering into of any Parity Obligation, that provides for an exchange of payments based on interest rates, ceilings or floors on such payments, options on such payments or any combination thereof, or any similar device.

“Payment Agreement Payments” means the amounts periodically required to be paid by the City to all Qualified Counterparties under all Payment Agreements.

“Payment Agreement Receipts” means the amounts periodically required to be paid by all Qualified Counterparties to the City under all Payment Agreements.

“Permitted Investments” means any of the following obligations if and to the extent that they are permissible investments of funds of the Authority as stated in its current investment policy (the Trustee may rely on the investment directions of the Authority that the investment is approved by the Authority’s investment policy) and to the extent then permitted by law:

- (a) Federal Securities;
- (b) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:
 - Export-Import Bank
 - Rural Economic Community Development Administration
 - U.S. Maritime Administration

- Small Business Administration
- U.S. Department of Housing & Urban Development (PHAs)
- Federal Housing Administration
- Federal Financing Bank

(c) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:

- Senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC).
- Obligations of the Resolution Funding Corporation (REFCORP)
- Senior debt obligations of the Federal Home Loan Bank System
- Senior debt obligations of other Government Sponsored Agencies acceptable to each Credit Provider whose acceptance is required by a Supplemental Indenture or a Credit Support Agreement.

(d) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks (including the Trustee and its affiliates) which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" or "A-1+" by S&P and maturing not more than 360 calendar days after the date of purchase (ratings on holding companies are not considered as the rating of the bank);

(e) Commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's and "A-1+" by S&P and which matures not more than 270 calendar days after the date of purchase;

(f) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P, including funds for which the Trustee or its affiliates provide investment advisory or other management services;

(g) Pre-refunded Municipal Obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any Authority, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

- (A) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Moody's or S&P or any successors thereto; or

- (B) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or Federal Securities, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;
- (h) Municipal obligations rated “Aaa/AAA” or general obligations of States with a rating of “A2/A” or higher by both Moody’s and S&P;
- (i) Investment agreements acceptable to the Credit Provider (supported by the written consent of the Credit Provider and appropriate opinions of counsel);
- (j) Any state administered pool investment fund in which the Authority is statutorily permitted or required to invest will be deemed a permitted investment, including, but not limited to the Local Agency Investment Fund in the treasury of the State, provided that, the Trustee shall be permitted to invest in and withdraw from such fund in its own name;
- (k) California Asset Management Program (CAMP); and
- (l) Other forms of investments (including repurchase agreements) acceptable to each Credit Provider whose acceptance is required by a Supplemental Indenture or a Credit Support Agreement.

The value of the above investments shall be determined as follows:

- a) For the purpose of determining the amount in any fund, all Permitted Investments credited to such fund shall be valued at fair market value. The Trustee shall determine the fair market value based on accepted industry standards and from accepted industry providers. Accepted industry providers shall include but are not limited to pricing services provided by Financial Times Interactive Data Corporation, Merrill Lynch, Salomon Smith Barney, Bear Stearns, or Lehman Brothers.
- b) As to certificates of deposit and bankers’ acceptances: the face amount thereof, plus accrued interest thereon; and
- c) As to any investment not specified above: the value thereof established by prior agreement among the Authority, the Trustee, and each Credit Provider whose acceptance is required by a Supplemental Indenture or a Credit Support Agreement.

“Person” means an individual, corporation, firm, association, partnership, trust or other legal entity or group of entities, including a governmental entity or any authority or political subdivision thereof.

“Potential Owner” means any person, including any Existing Owner, who may be interested in acquiring a beneficial interest in ARBs, in addition to the ARBs currently owned by such person, if any.

“Principal Account” means the account by that name in the Revenue Fund established pursuant to the provisions of the Indenture regarding Funds.

“Principal Office” means, (i) with respect to the Tender Agent, the designated corporate trust office of the Tender Agent in San Francisco, which as of the date thereof is located at 550 Kearny Street, Suite 600, San Francisco, CA 94108-2527, Attention: Corporate Trust Department; (ii) with respect to the Remarketing Agent, the address for the Remarketing Agent designated in the Remarketing Agreement with such Remarketing Agent; (iii) the Trustee, the principal office of such Trustee in San Francisco, California, which as of the date thereof is located at 550 Kearny Street, Suite 600, San Francisco, CA 94108-2527; (iv) a Paying Agent or a Credit Provider, the office designated as such in writing by such party to the Trustee; and (iii) with respect to the Auction Agent, the office thereof designated in writing to the Trustee and each Broker-Dealer.

“Principal Payments” means the payments of principal (whether at maturity or as a result of mandatory sinking account payments) due on the Series Bonds.

“Principal Payment Date” means any date on which principal is payable on a Bond, whether at maturity or upon mandatory redemption from Sinking Fund Installments.

“Proper Delivery” means, with respect to the delivery of a Tendered Bond to the Tender Agent to receive the Purchase Price thereof in connection with any optional or mandatory tender of such Tendered Bond for purchase pursuant to the provisions of the Indenture regarding Tender of Bonds: (a) if such Tendered Bond is a Book-Entry Bond, the making of, or the irrevocable authorization to make, by 10:00 a.m., New York City time, on the applicable Purchase Date or any Business day thereafter, entries on the books of the Securities Depository or a Participant of such Securities Depository to transfer the beneficial ownership of such Tendered Bonds; and (2) if such Tendered Bond is not a Book-Entry Bond, the delivery of such Tendered Bond to the Tender Agent at its Principal Office, by 10:00 a.m., New York City time, on the applicable Purchase Date or any Business Day thereafter, accompanied by an instrument of transfer thereof in form satisfactory to the Tender Agent, executed in blank by the Owner thereof or by the Owner’s duly authorized attorney, with such signature guaranteed by a commercial bank, trust company or member firm of the New York Stock Exchange.

“Purchase Date” means, with respect to each Tendered Bond, the date on which such Tendered Bond is tendered or deemed tendered for purchase pursuant to the provisions of the Indenture regarding Tender of Bonds.

“Purchase Price” means, with respect to any Tendered Bond (or portion thereof), an amount, payable in immediately available funds, equal to the principal amount thereof plus accrued interest from and including the Interest Accrual Date immediately preceding the applicable Purchase Date to but not including the applicable Purchase Date; provided, however, that (1) if the Purchase Date for any Tendered Bond is on or after the Record Date for an Interest Payment Date and on or prior to such Interest Payment Date, the Purchase Price thereof shall be the principal amount thereof, and interest on such Tendered Bond shall be paid to the Owner of such Tendered Bond as of the applicable Record Date as provided for the payment of interest on Bonds in the Indenture and (2) in the case of a Purchase Date which is the first day of an Interest

Rate Period which is preceded by a Long-Term Interest Rate Period and which commences prior to the day originally established as the last day of such preceding Long-Term Interest Rate Period, “Purchase Price” of any Tendered Bond means the optional redemption price determined pursuant to the provisions of the Indenture regarding Optional Tender During Daily Interest Rate Period or Weekly Interest Rate Period which would have been applicable to the redemption of such Tendered Bond on such Purchase Date pursuant to the provisions of the Indenture regarding optional tender during daily interest rate period or weekly interest rate period if the preceding Long-Term Interest Rate Period had continued to the day originally established as its last day.

“Qualified Counterparty” means a counterparty to a Payment Agreement (1) (a) which is rated at least equal to the ratings assigned by each of the Rating Agencies to the Parity Bonds (without regard to any gradations within a rating category and without regard to any credit enhancement thereof), (b) the senior debt obligations of which are rated at least equal to the ratings assigned by each of the Rating Agencies to the Parity Bonds (without regard to any gradations within a rating category and without regard to any credit enhancement thereof), or guaranteed by an entity so rated, (c) whose obligations under the Payment Agreement are guaranteed for the entire term of the Payment Agreement by a bond insurer or other institution which has been assigned a credit rating at least equal to the ratings assigned by each of the Rating Agencies to the Parity Bonds (without regard to any gradations within a rating category and without regard to any credit enhancement thereof), or (d) the obligations of which under the Payment Agreement are collateralized in such a manner as to obtain a rating at least equal to the ratings assigned by each of the Rating Agencies to the Parity Bonds (without regard to any gradations within a rating category and without regard to any credit enhancement thereof), and (2) which is otherwise qualified to act as the counterparty under a Payment Agreement with the City under the Charter and all applicable policies of the City, and under all applicable laws of the State.

“Qualified Swap Agreement” means the 2005 Swap and, in the event the 2005 Swap is terminated while any Bonds remain Outstanding, any other Payment Agreement entered into by the City with respect to the Bonds pursuant to the 2008 Contract.

“Rating Agency” means, as of any time and to the extent it is then providing or maintaining a rating on Obligations at the request of the Authority, each of Moody’s, Standard & Poor’s or Fitch, or in the event that neither Moody’s, Standard & Poor’s or Fitch then maintains a rating on Obligations at the request of the Authority, any other nationally recognized rating agency then providing or maintaining a rating on the Bonds at the request of the Authority.

“Rating Category” means (1) with respect to any long-term rating category, all ratings designated by a particular letter or combination of letters, without regard to any numerical modifier, plus or minus sign or other modifier and (2) with respect to any short-term or commercial paper rating category, all ratings designated by a particular letter or combination of letters and taking into account any numerical modifier, but not any plus or minus sign or other modifier.

“Rating Confirmation” means written evidence from each Rating Agency then rating Outstanding Obligations at the request of the Authority to the effect that, following the event which requires the Rating Confirmation, the then current rating for each Outstanding Obligation shall not be lowered or withdrawn solely as a result of the occurrence of such event.

“Rebate Fund” means the fund designated as the “Rebate Fund” established in the provisions of the Indenture regarding the Rebate Fund.

“Rebate Instructions” means those calculations and written directions required to be delivered to the Trustee by the Authority pursuant to the provisions of the Indenture regarding the Application of Proceeds of Bonds.

“Rebate Requirement” means the Rebate Requirement as defined in the Tax Certificate.

“Record Date” means (i) with respect to each Interest Payment Date for Bonds in a Daily Interest Rate Period, the last day of the calendar month preceding the month in which such Interest Payment Date falls, (ii) with respect to each Interest Payment Date for Bonds in a Weekly Interest Rate Period or Index Interest Rate Period, the Business Day immediately preceding such Interest Payment Date, (iii) with respect to each Interest Payment Date for Bonds in a Long-Term Interest Rate Period, the fifteenth day of the month preceding the month in which such Interest Payment Date falls, and (iv) with respect to each Interest Payment Date for Bonds which are ARBs, the second Business Day next preceding the applicable ARB Interest Payment Date.

“Redemption Date” means, with respect to any Bonds to be redeemed in accordance with the Indenture and the Supplemental Indenture authorizing such Bonds, the redemption date set forth in notice of redemption of such Bonds given in accordance with the terms of the Indenture.

“Redemption Fund” means the City of Pittsburg Public Financing Authority Water Revenue Refunding Bonds Redemption Fund established pursuant to the Indenture.

“Redemption Price” means, with respect to any redemption of a Bond prior to its maturity, the amount to be paid upon such redemption of the Bond as set forth in, or determined in accordance with, the Supplemental Indenture authorizing such Bond.

“Refunded Bonds” means the City of Pittsburg Public Financing Authority Water Revenue Bonds, Series 2005, authorized by the 2005 Indenture.

“Remarketing Agent” means the Initial Series 2008 Remarketing Agent, and any successor or additional remarketing agent appointed with respect to the Bonds.

“Remarketing Agreement” shall mean the agreement or instrument pursuant to which a Remarketing Agent for the Bonds shall perform its services.

“Remarketing Proceeds Account” means the account by that name within the Bond Purchase Fund established pursuant to the provisions of the Indenture regarding General Provisions Relating to Tenders.

“Replacement Swap Undertaking” means that certain agreement entered into among the City, Piper Jaffray Financial Products, Inc. and Morgan Stanley Capital Services Inc. in connection with the 2005 Swap.

“Representation Letter” the letter or letters of representation from the Authority to, or other instrument or agreement with, a Securities Depository for Book-Entry Bonds, in which the Authority, among other things, makes certain representations to the Securities Depository with respect to the Book-Entry Bonds, the payment thereof and delivery of notices with respect thereto.

“Required Stated Amount” means with respect to a Credit Support Instrument, at any time of calculation, an amount equal to the aggregate principal amount of all Outstanding Bonds

supported by such Credit Support Instrument, together with interest accruing thereon (assuming an annual rate of interest equal to the Maximum Interest Rate) for the period specified in a certificate of an Authorized Authority Representative to be the minimum period specified by each Rating Agency then rating such Bonds as necessary to obtain (or maintain) a specified short-term rating of the Bonds.

“Reserve Account” means the Debt Service Revenue Account within the Revenue Fund established pursuant to the 2008 Indenture.

“Reserve Financial Guaranty” means a policy of municipal bond insurance or surety bond issued by a municipal bond insurer or a letter of credit issued by a bank or other institution if the obligations insured by such insurer or issued by such bank or other institution, as the case may be, have ratings at the time of issuance of such policy or surety bond or letter of credit in the highest rating category (without regard to qualifiers) by Standard & Poor’s and Moody’s and, if rated by A.M. Best & Company, also in the highest rating category (without regard to qualifiers) by A.M. Best & Company.

“Reserve Financial Guaranty Provider” means an issuer of a Reserve Financial Guaranty.

“Revenue Fund” means the City of Pittsburg Public Financing Authority Water Revenue Bonds Revenue Fund established pursuant to the provisions of the Indenture regarding funds.

“Revenues” means all 2008 Installment Payments paid by the City to the Trustee pursuant to the 2008 Contract, all receipts and payments made to the City pursuant to any Qualified Swap Agreement and assigned to the Authority pursuant to the 2008 Contract and all interest earnings on the funds and accounts held under the Indenture (except the 2008 Project Fund and the Rebate Fund).

“Rule 15c2-12” means Rule 15c2-12 of the Securities and Exchange Commission adopted pursuant to the Securities Exchange Act of 1934, as amended, as the same may be amended and supplemented from time to time.

“Securities Depository” means a trust company or other entity which provides a book-entry system for the registration of ownership interests of Participants in securities and which is acting as security depository for Book-Entry Bonds.

“Securities Exchange Act” means the Securities Exchange Act of 1934, as amended.

“Sell Order” has the meaning set forth in the Auction Procedures.

“Serial Bonds” means Bonds for which no Sinking Fund Installments are established.

“SIFMA Index” means the “SIFMA Municipal Swap Index” (such index previously known as the “PSA Municipal Swap Index”) announced by Municipal Market Data on the rate determination date and based upon the weekly interest rate resets of Tax-Exempt variable rate issues included in a database maintained by Municipal Market Data which meets specified criteria established by the Bond Market Association. The SIFMA Index shall be based upon current yields of high-quality weekly adjustable variable rate demand bonds which are subject to tender upon seven days notice, the interest on which is Tax-Exempt and not subject to any personal “alternative minimum tax” or similar tax under the Code unless all Tax-Exempt securities are subject to such tax.

“Sinking Fund Account” means the account by that name in the Revenue Fund established pursuant to the provisions of the Indenture regarding funds.

“Sinking Fund Installment” means, with respect to the Bonds, the amount required by the provisions of the Indenture regarding terms of redemption to be paid by the Authority on any single date for the retirement of Bonds.

“Special Record Date” has the meaning set forth in the provisions of the Indenture regarding Medium of Payment, Form and Date and Letters and Numbers.

“Standard & Poor’s” or “S&P” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of New York, and its successors or assigns, but only to the extent that such entity is then rating any Parity Bonds at the request of the Authority.

“State” means the State of California.

“Statutory Corporate Tax Rate” means, as of any date of determination, the highest tax rate bracket (expressed in decimals) now or thereafter applicable in each taxable year on the taxable income of every corporation as set forth in section 11 of the Code or any successor section, without regard to any minimum additional tax provision or provisions regarding changes in rates during a taxable year. The Statutory Corporate Tax Rate as of the date of the Indenture is 35%.

“Submitted Bid” has the meaning specified in the Auction Procedures.

“Submitted Hold Order” has the meaning specified in the Auction Procedures.

“Submitted Order” has the meaning specified in the Auction Procedures.

“Submitted Sell Order” has the meaning specified in the Auction Procedures.

“Substitution Date” means the date on which an Alternate Credit Support Instrument is delivered to the Tender Agent.

“Sufficient Clearing Bids” means with respect to ARBs, an Auction for which the aggregate principal amount of ARBs that are the subject of Submitted Bids by Potential Owners specifying one or more rates not higher than the ARB Maximum Rate is not less than the aggregate principal amount of ARBs that are the subject of Submitted Sell Orders and of Submitted Bids by Existing Owners specifying rates higher than the ARB Maximum Rate.

“Supplemental Indenture” means any supplemental indenture supplementing or amending the Indenture as theretofore in effect, entered into by the Authority and the Trustee in accordance with the provisions of the Indenture regarding Amendments.

“Tax-Exempt” means, with respect to interest on any obligations of a state or local government, including the Bonds, that such interest is excluded from the gross income of the Owners thereof (other than any Owner who is a “substantial user” of facilities financed with such obligations or a “related person” within the meaning of Section 147(a) of the Code) for federal income tax purposes, whether or not such interest is includable as an item of tax preference or

otherwise includable directly or indirectly for purposes of calculating other tax liabilities, including any alternative minimum tax or environmental tax under the Code.

“Tax-Exempt Securities” means bonds, notes or other securities the interest on which is Tax-Exempt.

“Tender Agent” shall mean the Trustee, or any successor tender agent appointed pursuant to the provisions of the Indenture regarding the Appointment, Duties and Qualifications of Tender Agent.

“Tender Indebtedness” means any Obligations or portions of Obligations, a feature of which is an option or obligation, on the part of the owners thereof under the terms of such Obligations, to tender all or a portion of such Obligations to the Authority, a fiscal agent, a paying agent, a tender agent or other agent for purchase and requiring that such Obligations or portions thereof be purchased at the applicable Purchase Price if properly presented.

“Tendered Bond” means any Bond (or the portion of any Bond) tendered or deemed tendered for purchase pursuant to provisions of the Indenture regarding Tender of Bonds.

“Termination Payment” means with respect to a Qualified Swap Agreement, the amount payable by the Authority as a result of the termination of such Qualified Swap Agreement prior to its scheduled expiration date.

“Term Bonds” means Bonds which are payable on or before their specified maturity dates from Sinking Fund Installments established for that purpose and calculated to retire such Bonds on or before their specified maturity dates.

“Trustee” means, The Bank of New York Trust Company, N.A., as trustee for the Bonds under the Indenture and any successor satisfying the requirements of the Indenture.

“2005 Bonds” means all water revenue bonds of the Authority authorized, issued and delivered under the 2005 Indenture.

“2005 Bonds Debt Service Reserve Fund” means the Debt Service Reserve Fund established pursuant to the 2005 Indenture.

“2005 Contract” means the 2005 Installment Purchase Contract dated as of December 1, 2005, by and between the City and the Authority.

“2005 Indenture” means that certain 2005 Indenture dated as of December 1, 2005, by and between the Authority and the 2005 Trustee.

“2005 Installment Payments” means the Parity Installment Payments scheduled to be paid by the City under the 2005 Contract, consisting of Principal Payments and Variable Payments.

“2005 Installment Payment Date” means any date on which 2005 Installment Payments are scheduled to be paid by the City under the 2005 Contract.

“2005 Swap” means the transaction entered into pursuant to that certain Master Agreement, dated December 1, 2005, as supplemented by the Schedule and the Credit Support

Annex thereto, and evidenced by the Confirmation, each dated December 15, 2005, and each between the City and Piper Jaffray Financial Products Inc. and any replacement Payment Agreement entered into pursuant to the Replacement Swap Undertaking.

“2005 Swap Provider” means Piper Jaffray Financial Products Inc. or the provider of any replacement swap under the Replacement Swap Undertaking.

“2005 Trustee” means, The Bank of New York Trust Company, N.A., as trustee for the Bonds under the Indenture and any successor satisfying the requirements of the provisions of the Indenture regarding the appointment of successor Trustee and the financial qualifications of the successor Trustee.

“2005 Water Project” means the additions, betterments, extensions and improvements to the Water System financed with proceeds of the 2005 Bonds, including new pumps and water storage facilities, and replacement of existing pipes and transmission mains located throughout the city.

“2008 Contract” means the 2008 Installment Purchase Contract, dated as of May 1, 2008, by and between the Authority and the City.

“2008 Installment Payments” means the Parity Installment Payments scheduled to be paid by the City under the 2008 Contract, consisting of Principal Payments and Variable Payments.

“2008 Installment Payment Date” means any date on which 2008 Installment Payments are scheduled to be paid by the City hereunder and, if such payments fall on different dates than Net Payments, any date on which Net Payments are scheduled to be paid by the City under the 2005 Swap.

“2008 Project Fund” shall mean the 2008 Project Fund established pursuant to the 2008 Indenture.

“Tax Certificate” shall mean that certain Tax Certificate and Agreement signed by the Authority on the Delivery Date and relating to the requirements of Section 148 of the Code.

“Undelivered Bond” means, with respect to each Purchase Date, each Tendered Bond subject to purchase on such Purchase Date as to which Proper Delivery of such Tendered Bond to the Tender Agent is not made on such Purchase Date; provided, however, no such Tendered Bond shall be considered an Undelivered Bond on such Purchase Date unless the Tender Agent holds sufficient available moneys in trust for the Owners of the Tendered Bonds to pay in full the applicable Purchase Price of all Tendered Bonds due on such Purchase Date.

“Variable Index” means the SIFMA Index. If for any reason the SIFMA Index for any rate determination date is not announced or is otherwise unavailable or is held to be invalid or unenforceable by a court of law, except as otherwise provided with respect to ARBs in the definition of “Index”, the Variable Index for such rate determination date shall be an index selected by the Remarketing Agent which is a composite of bid-side yields of obligations (a) which (i) provide for a weekly adjustment of the interest rate, and (ii) which (A) must be purchased on demand of the owner thereof at any time upon notice of up to seven (7) days or (B) are payable in full not later than seven (7) days after the date of evaluation and (b) the interest on which is Tax-Exempt and not subject to any personal “alternative minimum tax” or similar tax

under the Code unless all Tax-Exempt bonds are subject to such tax. If no such index is so selected by the Remarketing Agent or if any such index is held to be invalid or unenforceable by a court of law, except as otherwise provided with respect to ARBs in the definition of “Index,” the Variable Index for such rate determination date shall be an index computed by the Remarketing Agent and shall be equal to 95% of the yield applicable to 91-day United States Treasury bills, such yield to be computed on the basis of the coupon equivalent of the average per annum discount rate at which such Treasury bills shall have been sold at the most recent Treasury auction conducted prior to such rate determination date.

“Variable Interest Rate” means any variable interest rate or rates to be paid under any Parity Obligation, the method of computing which variable interest rate shall be as specified in such obligation, which obligation shall also specify either (i) the payment period or periods or time or manner of determining such period or periods or time for which each value of such variable interest rate shall remain in effect, and (ii) the time or times based upon which any change in such variable interest rate shall become effective, and which variable interest rate may, without limitation, be based on the interest rate on certain bonds or may be based on interest rate, currency, commodity or other indices.

“Variable Interest Rate Obligations” means, for any period of time, any Parity Obligations that bear a Variable Interest Rate during such period, except that no such obligation shall be treated as a Variable Interest Rate Obligation if the net economic effect of interest rates on any particular payments and interest rates on any other payments of the same obligation, as set forth in such obligation, or the net economic effect of a Payment Agreement with respect to any particular Parity Obligation, in either case is to produce a substantially fixed interest rate obligation, and any Parity Obligation with respect to which a Payment Agreement is in force shall be treated as a Variable Interest Rate Obligation if the net economic effect of the Payment Agreement is to produce a substantially Variable Interest Rate Obligation.

“Variable Payments” means the amount required to be deposited in the Interest Account of the Revenue Fund on the applicable 2008 Installment Payment Date.

“Weekly Interest Rate” means an interest rate with respect to the Bonds in a Weekly Interest Rate Period established in accordance with the provisions of the Indenture regarding the Weekly Interest Rate Period.

“Weekly Interest Rate Period” shall mean each Interest Rate Period during which Weekly Interest Rates are in effect.

“Water Revenues” means all gross income and revenue received by the City from the ownership or operation of the Water System, determined in accordance with Generally Accepted Accounting Principles, including all charges, fees and rates and all connection fees received by the City for water and the other services of the Water System and all proceeds of insurance covering business interruption loss relating to the Water System and all other income and revenue howsoever derived by the City from the ownership or operation of the Water System, but excluding all proceeds of taxes and all refundable deposits made to establish credit and advances or contributions or grants in aid of construction.

“Water Service” means the commodity and the collection, conservation, production, storage, treatment, transmission, supply and distribution services furnished, made available or provided by the Water System.

“Water System” means all facilities for obtaining, storing, treating and delivering municipal water now owned or operated by the City, and all other properties, structures or works thereafter acquired and constructed by the City and determined to be a part of the Water System, together with all additions, betterments, extensions or improvements to such facilities, properties, structures or works or any part thereof thereafter acquired or constructed.

CERTAIN PROVISIONS OF THE 2008 INSTALLMENT PURCHASE CONTRACT

Acquisition, Construction, Sale and Purchase of the 2005 Water Project

The Authority agrees to acquire and construct the 2005 Water Project and to sell the 2005 Water Project to the City, and the City agrees to purchase the 2005 Water Project from the Authority, all as provided in the 2008 Contract. In order to implement this provision, the Authority appoints the City as its agent for the purpose of such acquisition and construction, and the City agrees to enter into such engineering, design and construction contracts and to execute such purchase orders as may be necessary, as agent for the Authority, to provide for the complete acquisition and construction of the 2005 Water Project, and the City agrees that as such agent it will cause the acquisition and construction of the 2005 Water Project to be diligently completed from the funds on deposit in the Project Fund for such purpose; provided, that the Authority shall only be obligated for the payment of costs or expenses incurred by the City (whether as agent for the Authority or otherwise) for the acquisition and construction of the 2005 Water Project from money on deposit in the Project Fund.

In the event the Authority fails to observe or perform any agreement, condition, covenant or term contained in the 2008 Contract required to be observed or performed by it, the City may institute such action or proceeding against the Authority as the City may deem necessary or convenient to compel the observance or performance of such agreement, condition, covenant or term, or to recover damages for the nonobservance or nonperformance thereof. The City may, at its own cost and expense and in its own name or in the name of the Authority, prosecute or defend any action or proceeding or take any other action involving third persons which the City deems reasonably necessary in order to protect or secure its rights under the 2008 Contract, and in such event the Authority agrees to cooperate fully with the City and to take all action necessary to effect the substitution of the City for the Authority in any action or proceeding if the City shall so request.

Additions to or Deletions from the 2005 Water Project

The City may at any time make additions to or make deletions from the 2005 Water Project, but only if the City first files with the Trustee a certificate of the City:

(a) identifying the work to be added to the 2005 Water Project or the work to be deleted from the 2005 Water Project, or both; and

(b) stating (in the case of such an addition) that the estimated costs of the acquisition or construction of the addition to the 2005 Water Project are not greater than the funds on deposit in the Project Fund available to pay such estimated costs.

Title to the 2005 Water Project

Upon the acquisition or construction of each portion of the 2005 Water Project by the City as agent for the Authority, all right, title and interest therein shall automatically vest in the City, which automatic vesting shall occur without further action by the Authority; provided, that the Authority shall, if requested by the City or if necessary to assure such automatic vesting of such right, title or interest, execute and deliver any and all documents required to assure such vesting.

Location of the 2005 Water Project; Ingress and Egress by Authority

The 2005 Water Project consists of components which are not contiguous to one another and which are located at various locations within and without the City, and the Authority shall have the right of ingress and egress to and from all such locations for the purpose of fulfilling its obligations under the 2008 Contract without the necessity of either party to executing any further documentation relevant or appertaining to the 2008 Contract.

Purchase Price

The Purchase Price to be paid by the City under the 2008 Contract to the Authority for the purchase of the 2005 Water Project is thirty-eight million three hundred ninety five thousand dollars (\$38,395,000), payable in installments, equal to the sum of (i) the Principal Payments plus (ii) the Variable Payments (subject in each case to any right of prepayment provided in the provisions of the 2008 Contract regarding Events of Default and Remedies of the Authority), plus (iii) the Reserve Account deposits required pursuant to the provisions of the 2008 Contract regarding Allocation of Net Revenues, which may be credited to the 2008 Installment Payments as provided therein.

Payment of the 2008 Installment Payments

The City shall, subject to any right of prepayment as provided in provisions of the 2008 Contract regarding Events of Default and Remedies of the Authority, pay the Authority the 2008 Installment Payments as therein provided, without offset or deduction of any kind, by paying the Principal Payments annually in the amounts and on the date which is five (5) Business Days prior to each Principal Payment Date in accordance with Exhibit A attached to the 2008 Contract and incorporated therein and made a part thereof, and by paying the Variable Payments monthly on the date which is five (5) Business Days prior to the first Business Day of each month commencing in the month of June 2008; provided, that in the event the City fails to make any 2008 Installment Payment when due, the defaulted 2008 Installment Payment shall continue as an obligation of the City, and the City shall pay the same with interest thereon from the due date thereof at a rate of interest equal to the greater of the Variable Payments or the default rate applicable to any unpaid amount under an Obligation as a result of such failure to pay.

The obligation of the City to pay the 2008 Installment Payments from the Net Revenues as provided in the 2008 Contract is absolute and unconditional, and until such time as the 2008 Installment Payments shall have been fully paid (or provision for the payment thereof shall have been made pursuant to the provisions of the 2008 Contract regarding Discharge of Obligations), the City will not discontinue or suspend any 2008 Installment Payments required to be made by it under this section, whether or not the 2005 Water Project or any part thereof is operating or operable or has been completed, or its use is suspended, interfered with, reduced or curtailed or terminated in whole or in part, and such payments shall not be subject to abatement because of any damage to, destruction or condemnation of the 2005 Water Project, and such payments shall

not be subject to reduction whether by offset or otherwise and shall not be conditioned upon the performance or nonperformance by any party of any agreement for any cause whatsoever.

Prepayment of the 2008 Installment Payments

While any ARB Interest Period is in effect with respect to the Bonds, the City may prepay the principal components of 2008 Installment Payments on any date that is an ARB Interest Payment Date, as a whole or in part (with each prepayment by the City in integral multiples of five thousand dollars (\$5,000)), from any source of available funds, at a prepayment price equal to the sum of the principal amount prepaid plus accrued interest thereon to the date of prepayment.

Notwithstanding any such prepayment, the City shall not be relieved of its obligations under the 2008 Contract until all 2008 Installment Payments shall have been fully paid (or provision for the payment thereof shall have been made pursuant to provisions of the 2008 Contract regarding Discharge of Obligations).

Pledge of Net Revenues

All Net Revenues are irrevocably pledged to the payment of the 2008 Installment Payments as provided in the 2008 Contract, and the Net Revenues shall not be used for any other purpose while any 2008 Installment Payments remain unpaid; provided, that out of the Net Revenues there may be apportioned such sums for such purposes as are expressly permitted by the provisions of the 2008 Contract regarding Revenues. This pledge shall constitute a first and exclusive lien on the Net Revenues for the payment of the 2008 Installment Payments in accordance with the terms of the 2008 Contract (subject to the incurrence of Parity Obligations in accordance with the provisions of the 2008 Contract regarding Additional Obligations).

All Water Revenues shall be deposited as and when received in the "City of Pittsburg Water Revenue Fund" (the "City Revenue Fund") which fund is continued in the treasury of the City and which fund shall be maintained by the City, and all money in the City Revenue Fund shall be set aside by the City and applied to the payment of Maintenance and Operation Costs, as and when required to be paid.

All remaining Water Revenues after the payment of all Maintenance and Operation Costs then required to be paid shall be Net Revenues.

Allocation of Net Revenues

(1) Parity Installment Payment Fund Deposits. Five (5) Business Days prior to each 2008 Installment Payment Date, the City shall, from Net Revenues, transfer to the Trustee (on a parity with the transfers of Net Revenues for the payment of all other Parity Debt Service becoming due on such date, as the case may be) for deposit in the Parity Installment Payment Fund a sum equal to the amount of the 2008 Installment Payment due on such 2008 Installment Payment Date and transfer to pay any Credit Provider Reimbursement Obligations; and

(2) Reserve Account Deposits. On each June 1 and January 1, the City shall, from Net Revenues, transfer to the Trustee (on a parity with the transfers of Net Revenues for the replenishment of all other reserve accounts for all Parity Obligations) for deposit in the Reserve Account a sum equal to one-half ($\frac{1}{2}$) of the amount determined by the Trustee to be necessary to restore the Reserve Account to the Reserve Requirement by the next succeeding June 1 or

January 1 that is six (6) months after the first such deposit, as the case may be, except that if the deficiency in the Reserve Account was occasioned by a reduction in the market valuation thereof (rather than a transfer therefrom), such deposit shall be equal to the total amount determined by the Trustee to be necessary prior to such transfer to restore the Reserve Account to the Reserve Requirement; and

(3) Surplus Net Revenues. Provided that the payments and deposits required under paragraphs (1) and (2) above have been made, any remaining Net Revenues may be used for any lawful purpose, including, but not limited to the payment of any obligations secured by Net Revenues on a priority subordinate to the Parity Obligations or the payment of any Termination Payment;

provided, that no such transfers to and deposits in the Parity Installment Payment Fund need be made if the amount available and contained therein is at least equal to 2008 Installment Payment next due and payable and if the amount contained in the Reserve Account is equal to the Reserve Requirement; and provided further, that nothing in this section shall be construed to limit the City's ability to make other transfers and deposits at any time from Net Revenues for the payment of debt service, reserve replenishment, credit enhancement reimbursement costs and Payment Agreement payments to the extent required with respect to additional Parity Obligations incurred in accordance with the provisions of the 2008 Contract regarding Additional Obligations.

Compliance with, Amendment of and Assignment of 2008 Contract

The City will punctually pay the 2008 Installment Payments in strict conformity with the terms of the 2008 Contract, and will faithfully observe and perform all the agreements, conditions, covenants and terms contained in the 2008 Contract required to be observed and performed by it, and will not terminate the 2008 Contract for any cause whatsoever, including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the 2005 Water Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State of California or any political subdivision of either or any failure of the Authority to observe or perform any agreement, condition, covenant or term contained in the 2008 Contract required to be observed and performed by it, whether express or implied. The City will, so long as any 2008 Installment Payments remain unpaid, apply Net Revenues as provided in the 2008 Contract.

The City and the Authority shall not supplement, amend, modify or terminate any of the terms of the 2008 Contract, or consent to any such supplement, amendment, modification or termination, without the prior written consent of the Trustee, which such consent shall be given only if (a) such supplement, amendment, modification or termination will not materially adversely affect the interests of the Bonds or the 2005 Swap or result in any material impairment of the security given for the payment of the 2008 Installment Payments, or (b) the Trustee first obtains the written consent of a majority in aggregate principal amount of the Bonds then Outstanding to such supplement, amendment, modification or termination; provided, that any supplement that complies with the provisions of the 2008 Contract regarding Additional Obligations shall not be deemed to materially adversely affect the interests of the holders of any Parity Obligations or result in any material impairment of the security given for the payment of the 2008 Installment Payments; and provided further, that no such supplement, amendment, modification or termination shall reduce the amount of 2008 Installment Payments to be made to the Authority or the Trustee by the City pursuant to the 2008 Contract, or extend the time for making such 2008 Installment Payments, or permit the creation of any lien prior to the lien

created by the 2008 Contract on Net Revenues or change the parity pledge for security and payment of all Parity Obligations without the written consent of all of the Holders of all Bonds then Outstanding and the 2005 Swap Provider, except as provided in the provisions of the 2008 Contract regarding Additional Obligations. Notwithstanding the foregoing provisions of this section, so long as the Credit Provider is not in default under the Credit Support Instrument, the City and the Authority shall not supplement, amend, modify or terminate any of the terms of the 2008 Contract, or consent to any such supplement, amendment, modification or termination, without the prior written consent of the Credit Provider; and such written consent of the Credit Provider, together with the consent of the 2005 Swap Provider, shall be full authority to the City and the Authority to supplement, amend, modify or terminate the 2008 Contract to the extent of such written consent, with or without the consent of the Trustee or any Holder of Bonds.

Against Encumbrances

The City will not make any use of or encumber the Net Revenues except as provided in the 2008 Contract; provided, that so long as the City is not in default under the 2008 Contract, the City may issue any obligations subordinate to the Parity Obligations that are payable from surplus Net Revenues as provided in the provisions of the 2008 Contract regarding allocation of Net Revenues.

Against Sale or Other Disposition of Property

The City will not sell, lease or otherwise dispose of the Water System or any part thereof essential to the proper operation of the Water System or to the maintenance of Net Revenues. The City will not enter into any agreement which impairs the operation of the Water System or any part thereof necessary to secure adequate Net Revenues for the payment of the Parity Obligations or which would otherwise impair the rights of the City with respect to Net Revenues or the operation of the Water System.

Against Competitive Facilities

The City will not, to the extent permitted by law, acquire, purchase, maintain or operate and will not, to the extent permitted by law and within the scope of its powers, permit any other public or private agency, corporation, district or political subdivision or any person whomsoever to acquire, purchase, maintain or operate within the City any water system competitive with the Water System.

Tax Covenants

The City will at all times do and perform all acts and things permitted by law which are necessary or desirable in order to assure that the interest components of the 2008 Installment Payments will not be included in the gross income of the owners of the Bonds for federal income tax purposes under the Code and will be exempt from State of California personal income taxes, and will take no action that would result in such interest being so included or not being so exempt. Without limiting the foregoing, the City and the Authority will at all times comply with the requirements of the Tax Certificate executed in connection with the delivery of the Bonds by the Trustee. This covenant shall survive any defeasance or discharge of the 2008 Installment Payments pursuant to the provisions of the 2008 Contract regarding Discharge of Obligations or any prepayment of principal components of the 2008 Installment Payments pursuant thereto.

Maintenance and Operation of the Water System

The City will maintain and preserve the Water System in good repair and working order at all times and will operate the Water System in an efficient and economical manner and will pay all Maintenance and Operation Costs as they become due and payable.

Payment of Claims

The City will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien on Net Revenues or any part thereof or on any funds in the hands of the City or which might impair the security of the 2008 Installment Payments.

Compliance with Contracts

The City will comply with, keep, observe and perform all agreements, conditions, covenants and terms, express or implied, required to be kept, observed and performed by it contained in all contracts for the use of the Water System and all other contracts affecting or involving the Water System to the extent that the City is a party thereto.

Insurance

The City will procure and maintain such insurance relating to the Water System which it shall deem advisable or necessary to protect its interests and the interests of the Authority, the Credit Provider and the 2008 Trustee, which insurance shall afford protection in such amounts and against such risks as are usually covered in the State in connection with municipal water systems comparable to the Water System; provided, that any such insurance may be maintained under a self-insurance program so long as such self-insurance is maintained in the amounts and manner usually maintained in connection with municipal water systems in the State comparable to the Water System and is, in the opinion of an accredited actuary, actuarially sound. All policies of insurance required to be maintained in the 2008 Contract shall provide that the Authority, the Credit Provider and the Trustee shall be given thirty (30) days' written notice of any intended cancellation thereof or reduction of coverage provided thereby.

Accounting Records and Financial Statements and Other Reports

The City will keep appropriate accounting records in which complete and correct entries shall be made of all transactions relating to the Water System and the Net Revenues, the Maintenance and Operation Costs and the Net Revenues relating thereto, which records shall be available for inspection by the Authority, the Credit Provider and the 2008 Trustee at reasonable hours and under reasonable conditions.

The City will prepare annually within nine months after the close of each Fiscal Year (commencing with the Fiscal Year ending June 30, 2006) financial statements of the City for the preceding Fiscal Year prepared in accordance with generally accepted accounting principles, together with an Accountant's Report thereon, which records shall be available for inspection by the Authority, the Credit Provider and the Trustee at reasonable hours and under reasonable conditions.

Protection of Security and Rights of Authority

The City will preserve and protect the security of the 2008 Contract and the rights of the Authority to the 2008 Installment Payments under the 2008 Contract and will warrant and defend such rights against all claims and demands of all persons.

Payment of Taxes and Compliance with Governmental Regulations

The City will pay and discharge all taxes, assessments and other governmental charges which may thereafter be lawfully imposed upon the Water System or any part thereof or upon Net Revenues when the same shall become due. The City will duly observe and comply with all valid regulations and requirements of any governmental authority relative to the operation of the Water System or any part thereof, but the City shall not be required to comply with any regulations or requirements so long as the validity or application thereof shall be contested in good faith.

Amount of Charges, Fees and Rates

The City will fix, prescribe and collect rates, fees and charges for the Water Service during each Fiscal Year which are reasonably fair and nondiscriminatory and which are estimated to yield Net Revenues for such Fiscal Year equal to at least one hundred fifteen per cent (115%) of the Parity Debt Service such Fiscal Year, plus any Termination Payments for which other lawful monies are not otherwise available; provided, that for purposes of this section, the assumptions set forth in the 2008 Contract in paragraph (D) of the definition of “Parity Debt Service” shall be disregarded. The City may make adjustments from time to time in such fees and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates, fees and charges then in effect unless the Net Revenues from such reduced rates, fees and charges are estimated to be sufficient to meet the requirements of this section.

Collection of Charges, Fees and Rates

The City will have in effect at all times rules and regulations requiring each user of the Water System to pay the applicable rates, fees and charges applicable to the Water Service and providing for the billing thereof and for a due date and a delinquency date for each bill. The City will not permit any part of the Water System or any facility thereof to be used or taken advantage of free of charge by any corporation, firm or person, or by any public agency (including the United States of America, the State and any city, county, district, political subdivision, public corporation or agency of any thereof); provided, that the City may without charge use the Water System.

Eminent Domain and Insurance Proceeds

If all or any part of the Water System shall be taken by eminent domain proceedings, or if the City receives any insurance proceeds resulting from a casualty loss to the Water System, the Net Proceeds thereof, at the option of the City, shall be applied either to (a) to acquire and construct additions, betterments or improvements to the Water System to replace the condemned or destroyed portion of the Water System or deposited in the Revenue Fund and be available for other proper uses of funds deposited in the Revenue Fund.

Additional Covenants

The City may provide additional covenants pursuant to any supplement to the 2008 Contract, including covenants relating to any credit support or liquidity support obtained for the Bonds.

Continuing Disclosure

The City agrees to comply with and carry out all of the provisions of any future continuing disclosure undertaking relating to the Bonds. Notwithstanding any other provision of this 2008 Contract, failure of the City to comply with such undertaking shall not be considered an Event of Default under the 2008 Contract or the 2008 Indenture; provided, that the Trustee may (and, at the request of any Participating Underwriter or the Holders of at least a majority in aggregate principal amount of Outstanding Bonds and upon receipt of indemnification reasonably acceptable to the Trustee, shall) or any Holder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this section. Capitalized terms used in this section but not defined in the 2008 Contract shall have the meanings given in the aforesaid continuing disclosure undertaking.

Further Assurances

The City will adopt, deliver, execute and make any and all further assurances, instruments and resolutions as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the 2008 Contract and for the better assuring and confirming unto the Authority of the rights and benefits provided to it in the 2008 Contract.

Events of Default

If one or more of the following Events of Default shall happen, that is to say –

(a) if default shall be made in the due and punctual payment of any Parity Installment Payment or of any installment of principal or interest on any Parity City Bond when and as the same shall become due and payable;

(b) if default shall be made by the City in the performance of any of the other agreements or covenants contained in the 2008 Contract or contained in any Issuing Document authorizing the issuance of any Parity City Bonds required to be performed by it or contained in any Parity Contracts required to be performed by it, and such default shall have continued for a period of thirty (30) days after the City shall have been given notice in writing of such default by the Authority, the Credit Provider or the Trustee; or

(c) if the City shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the City seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the City or of the whole or any substantial part of its property; or

then and in each and every such case during the continuance of such Event of Default the Authority may, by notice in writing to the City, declare the entire principal amount of the unpaid 2008 Installment Payments and the accrued interest thereon to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, anything contained in the 2008 Contract to the contrary notwithstanding; provided, that if at any time after the entire principal amount of the unpaid 2008 Installment Payments and the accrued interest thereon shall have been so declared due and payable and before any judgment or decree for the payment of the money thereby due shall have been obtained or entered the City shall deposit with

the Authority a sum sufficient to pay the unpaid principal amount of the 2008 Installment Payments due prior to such declaration and the accrued interest thereon, and the reasonable expenses of the Authority, and any and all other defaults known to the Authority (other than in the payment of the entire principal amount of the unpaid 2008 Installment Payments and the accrued interest thereon due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Authority or provision deemed by the Authority to be adequate shall have been made therefor then and in every case the Authority, by written notice to the City, may rescind and annul such declaration and its consequences, except that no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair or exhaust any right or power consequent thereon; provided, that so long as the Credit Provider is not in default under the Credit Support Instrument, the Credit Provider shall be entitled to direct all remedies under this section, including the right to declare the 2008 Installment Payments to be due and payable, and the right to rescind any such declaration and its consequences.

Distribution of Assets

Upon the date of the declaration of an Event of Default by the Authority as provided in the provisions of the 2008 Contract regarding Events of Default, all Net Revenues shall be applied in the following order –

First, to the payment of the costs and expenses of the Trustee (as assignee of the Authority), if any, in carrying out the provisions of the 2008 Contract regarding Events of Default and Remedies of the Authority, including reasonable compensation to its agents, accountants and counsel and including any expenses of the Authority in indemnifying the Trustee;

Second, to the payment of the interest then due and payable on the principal amount of the Parity Obligations, and, if the amount available shall not be sufficient to pay in full all such interest then due and payable, then to the payment thereof ratably, according to the amounts due thereon without any discrimination or preference;

Third, to the payment of the unpaid principal amount of the Parity Obligations then due and payable with interest on the overdue principal and interest amounts of the unpaid Parity Obligations at the rate or rates of interest then applicable to such Parity Obligations if paid in accordance with their terms, and, if the amount available shall not be sufficient to pay in full all the amounts due with respect to the Parity Obligations on any date, together with such interest, then to the payment thereof ratably, according to the principal amount due on such date, without any discrimination or preference;

Fourth, to the required replenishment of any debt service reserves with respect to the Parity Obligations;

Fifth, to the payment of any other amounts becoming due and payable with respect to Parity Obligations (including any letter of credit and remarketing fees) and to the payment of Termination Payments on any Payment Agreements; and

Sixth, to the payment of the costs and expenses of the Authority, if any, in carrying out the provisions of the 2008 Contract regarding Events of Default and Remedies of the Authority, including reasonable compensation to its agents, accountants and counsel, that were not paid pursuant to clause (1) above;

Seventh, to the payment of all other amounts due and payable by the City from Net Revenues, including, but not limited to the payment of obligations secured by Net Revenues on a priority subordinate to the Parity Obligations.

Other Remedies of the Authority

The Authority shall have the right –

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the City or any councilmember, officer or employee thereof, and to compel the City or any such councilmember, officer or employee to perform and carry out its duties under agreements and covenants required to be performed by it or him or her contained in the 2008 Contract;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Authority; or

(c) by suit in equity upon the happening of an Event of Default to require the City and its councilmembers, officers and employees to account as the trustee of an express trust.

Notwithstanding any contrary provision, so long as the Credit Provider is not in default under the Credit Support Instrument, the Credit Provider shall have the right to direct all remedies granted to the Authority under this section.

Non-Waiver

Nothing in the provisions of the 2008 Contract regarding Events of Default and Remedies of the Authority or in any other provision thereof shall affect or impair the obligation of the City, which is absolute and unconditional, to pay the 2008 Installment Payments to the Authority at their respective due dates or upon prepayment as provided in the 2008 Contract from the Net Revenues, or shall affect or impair the right of the Authority, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied in the 2008 Contract.

A waiver of any default or breach of duty or contract by the Authority shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract, and no delay or omission by the Authority to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Authority by applicable law or by the provisions of the 2008 Contract regarding Events of Default and Remedies of the Authority may be enforced and exercised from time to time and as often as shall be deemed expedient by the Authority.

If any action, proceeding or suit to enforce any right or exercise any remedy is abandoned or determined adversely to the Authority or the Credit Provider, the City, the Credit Provider and the Authority shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Remedies Not Exclusive

No remedy in the 2008 Contract conferred upon or reserved to the Authority or the Credit Provider is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given under the 2008 Contract or now or thereafter existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by applicable law.

Credit Provider Rights

Notwithstanding any contrary provision of the 2008 Contract, so long as the Credit Provider is not in default under the Credit Support Instrument, the Credit Provider shall be entitled to direct all remedies granted in the provisions of the 2008 Contract regarding Events of Default and Remedies of the Authority.

Discharge of Obligations

(a) If the City shall pay or cause to be paid all the 2008 Installment Payments at the times and in the manner provided in the 2008 Contract, the right, title and interest of the Authority provided therein and the obligations of the City thereunder shall thereupon cease, terminate, become void and be completely discharged and satisfied, except as provided in the Tax Covenants of the 2008 Contract.

(b) Any unpaid principal component of the 2008 Installment Payments shall on its scheduled payment date or date of prepayment be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) of this section if the City makes payment of such 2008 Installment Payments and the interest and prepayment premium, if applicable, thereon in the manner provided in the 2008 Contract, and money for the purpose of such payment or prepayment is then held by the Trustee.

(c) All or any portion of unpaid principal components of the 2008 Installment Payments shall, prior to their scheduled payment dates or dates of prepayment, be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) of this section (except that the City shall remain liable for the payment of such 2008 Installment Payments, but only out of the money or securities deposited with the Trustee or an escrow agent as hereinafter described) if (i) notice is provided by the City to the Trustee, (ii) there shall have been deposited with the Trustee or such escrow agent either money in an amount which shall be sufficient, or Federal Securities which are not subject to redemption prior to maturity except by the holder thereof (including any such Federal Securities issued or held in book entry form) the interest on and principal of which when paid will provide money which, together with money, if any, deposited with the Trustee or such escrow agent at the same time, shall be sufficient, as stated in a report of an Independent Certified Public Accountant addressed to the City and the Trustee or such escrow agent, to pay when due the principal components of such 2008 Installment Payments or such portions thereof and the interest and prepayment premiums, if any, thereon on and prior to their payment dates or their dates of prepayment, as the case may be, and (iii) an opinion of nationally recognized bond counsel addressed to the City and the Trustee or such escrow agent is filed with the Trustee to the effect that the action taken pursuant to this subsection will not cause the interest components of the 2008 Installment Payments to be includable in gross income under the Code for federal income tax purposes and will not cause such interest components not to be exempt from State of California personal income taxes.

Liability of City Limited to Net Revenues

Notwithstanding anything contained in the 2008 Contract, the City shall not be required to advance any money derived from any source of income other than the Net Revenues and the other funds provided in the 2008 Contract for the payment of the 2008 Installment Payments or for the performance of any agreements or covenants required to be performed by it contained in the 2008 Contract; provided, that the City may advance money for any such purpose so long as such money is derived from a source legally available for such purpose and may be legally used by the City for such purpose.

The obligation of the City to make the 2008 Installment Payments is a special obligation of the City and is payable solely from the Net Revenues and the other funds as provided in the 2008 Contract, and does not constitute a debt of the City or the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction, and does not constitute an obligation for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation.

CERTAIN PROVISIONS OF THE INDENTURE OF TRUST

Rescission of Conversion and Conditions to Conversion

(a) Notwithstanding anything in the Indenture to the contrary, in connection with any Conversion of the Interest Rate Period for the Bonds, the Authority shall have the right to deliver to the Trustee (with a copy to Remarketing Agent (if any), the Tender Agent (if any), the Credit Provider (if any), the Auction Agent (if any) and the Broker-Dealer (if any)), on or prior to 10:00 a.m. on the second Business Day preceding the proposed Conversion Date of any such Conversion a notice to the effect that the Authority elects to rescind its election to make such Conversion. If the Authority delivers a notice of rescission of election to Convert the Bonds to the Trustee prior to the time a notice of such Conversion has been mailed to the Owners of the Bonds as provided in the provisions of the Indenture regarding Daily Interest Rate Period, Weekly Interest Rate Period, Long-Term Interest Rate Period, Index Interest Rate Period and ARB Provisions, as applicable, then the Interest Rate Period shall not be Converted and the Bonds shall continue to bear interest in the Interest Rate Period in effect immediately prior to such proposed Conversion. In any event, if notice of a Conversion has been mailed to the Owners of the Bonds as provided in the provisions of the Indenture regarding Daily Interest Rate Period, Weekly Interest Rate Period, Long-Term Interest Rate Period, Index Interest Rate Period and ARB Provisions, as applicable, and the Authority rescinds its election to make such Conversion, then (i) the Bonds (except ARBs, which shall not be subject to mandatory tender) shall continue to be subject to mandatory tender for purchase on the date which would have been the Conversion Date of the Conversion to a new Interest Rate Period as provided in the provisions of the Indenture regarding Notice to Owners of Mandatory Tender, and (ii) the Interest Rate Period shall not be Converted and the Bonds shall continue to bear interest in the Interest Rate Period in effect immediately prior to the proposed Conversion (provided, that the period of any such Long-Term Interest Rate Period shall be one year). In the case of the ARBs, the ARBs shall bear interest at the ARB Maximum Rate until the next succeeding Auction Period and then at the Applicable ARB Rate.

(b) No Conversion from one Interest Rate Period to another shall take effect unless each of the following conditions, to the extent applicable, shall have been satisfied.

(i) The Trustee shall have received a Favorable Opinion of Bond Counsel with respect to such Conversion on the Conversion Date.

(ii) The remarketing proceeds available on the Conversion Date and the amount made available under the Credit Support Instrument (if any) shall not be less than the amount required to purchase all of the Tendered Bonds at the applicable Purchase Price (unless the Authority, in its sole discretion, transfers or causes to be transferred, to the Tender Agent for application to the payment of such Purchase Price Available Moneys in the amount of such deficiency on or before the Conversion Date in funds which are immediately available on the Conversion Date).

(iii) In the case of any Conversion of the Bonds from an ARB Interest Rate Period to any other Interest Rate Period (except a Long-Term Interest Rate Period effective to, or an Index Interest Rate Period for which the Authority has irrevocably elected an Index Interest Rate Period ending on, the day immediately preceding the Maturity Date), prior to the Conversion Date the Authority shall have appointed a Tender Agent (unless the Trustee is serving as Tender Agent) and a Remarketing Agent with respect to the Bonds, there shall have been executed and delivered with respect to the Bonds a Tender Agent Agreement (unless the Trustee is serving as Tender Agent), and a Remarketing Agreement and the Authority has caused a Credit Support Instrument in the Required Stated Amount to be delivered to the Tender Agent.

(iv) In the case of any Conversion of the Bonds to an ARB Interest Rate Period from another Interest Rate Period, prior to the Conversion Date the Authority shall have appointed an Auction Agent and a Broker-Dealer with respect to the Bonds and there shall have been executed and delivered with respect to the Bonds, an Auction Agent Agreement and a Broker-Dealer Agreement.

(v) Prior to any Conversion to an ARB Interest Rate Period, the Authority shall receive a firm underwriting commitment or contract to purchase the Bonds in an ARB Interest Rate Period from an investment bank or other purchaser.

(vi) In the case of any Conversion of the Bonds to a Long-Term Interest Rate Period, the Remarketing Agent shall have determined the Long-Term Interest Rate for such Long-Term Interest Rate Period on or prior to the proposed Conversion Date to such Long-Term Interest Rate Period.

(vii) If any condition to the Conversion of the Bonds to another Interest Rate Period shall not have been satisfied, then the current Interest Rate Period shall not be Converted and the Bonds shall continue to bear interest in the Interest Rate Period in effect immediately prior to such proposed Conversion, and, if notice of such Proposed Conversion has been given to the Owners of the Bonds as provided in the Indenture, the Bonds (except ARBs) shall continue to be subject to mandatory tender for purchase on the date which would have been the Conversion Date as provided in the provisions of the Indenture regarding General Provisions Relating to Tenders. If the Interest Rate Period in effect immediately prior to such proposed Conversion is a Long-Term Interest Rate Period, then the Long-Term Interest Rate Period commencing on such proposed Conversion Date shall be for one year. In the case of ARBs, the ARBs shall continue to be owned by the Owners thereof and shall bear interest at the ARB Maximum Rate until the next succeeding Auction Period following such proposed Conversion Date, then at the Applicable ARB Rate.

(viii) Notwithstanding anything in the Indenture to the contrary, in connection with the Conversion from a Long-Term Interest Rate Period that would require the mandatory tender for purchase of Bonds at a Purchase Price greater than the principal amount thereof plus unpaid accrued interest thereon as provided in the Indenture regarding General Provisions

Relating to Tenders, the Authority, as a condition to exercising its option to cause a Conversion of the Interest Rate Period, shall deliver or cause to be delivered to the Tender Agent prior to the mailing of notice of such Conversion, Available Moneys in an amount which is sufficient to pay such premium, unless the Credit Support Instrument, if any, then in effect with respect to such Bonds provides for the payment of such premium.

The Trustee shall send a copy of each notice of a Conversion sent to the Owners of the Bonds to the Credit Provider and each Rating Agency promptly after sending such notice to such Owners.

Series 2008 Credit Support Instrument; Draws on the Series 2008 Credit Support Instrument

The Series 2008 Credit Support Instrument provides for (1) the payment of the Purchase Price of Tendered Bonds upon their optional or mandatory tender for purchase in accordance with the Indenture, as applicable, and (2) the payment of interest and principal, as the same becomes due, on the Bonds.

The Trustee shall follow the provisions of the Indenture with respect to Payment Drafts under the Series 2008 Credit Support Instrument.

The Trustee shall draw on the Series 2008 Credit Support Instrument by the times and in accordance with the terms thereof, in amounts sufficient to pay the interest on and principal of the Bonds when due. Pending application as aforesaid, moneys drawn under the Series 2008 Credit Support Instrument shall be deposited in a special fund designated the Credit Support Instrument Fund, which the Trustee shall establish and maintain. The Trustee shall hold the funds in the Credit Support Instrument Fund for the benefit of the holders of the Bonds, shall set such funds aside exclusively for the payment of the principal of and interest on the Bonds for which the draw on the 2008 Credit Support Instrument was made, and shall apply such amounts to the payment of principal of and interest on such Bonds, upon presentation thereof for payment, in accordance with the terms of this Indenture. The Trustee shall not have a lien on the Credit Support Instrument Fund for the payment of any fees or expenses or any other obligations hereunder. Any moneys drawn under the Series 2008 Credit Support Instrument not needed to pay the interest on and principal of the Bonds shall be promptly remitted by the Trustee to the Credit Provider.

Immediately upon payment of principal of and interest on the Bonds from draws on the Series 2008 Credit Support Instrument pursuant to the Indenture, moneys which would otherwise be available to pay such principal and interest shall be withdrawn and used by the Trustee pursuant to the Indenture, as applicable, to reimburse the Credit Provider pursuant to the Series 2008 Credit Support Agreement.

Additional Obligations

The Authority may, at any time and from time to time, enter into Credit Support Agreements or otherwise become obligated for Credit Provider Reimbursement Obligations with respect to the Bonds in connection with the Conversion of the Bonds to a Daily, Weekly or Long Term Interest Rate Period. In addition, in the event that the 2005 Swap is terminated and the City enters into a Qualified Swap Agreement other than the 2005 Swap, and assigns the net receipts of the City thereunder to the Authority pursuant to the 2008 Contract, such Qualified Swap Agreement will be an Obligation under the Indenture. No other obligations may be entered into

by the Authority payable from or secured by a lien on the Revenues thereunder senior to or on a parity with the Obligations.

Credit Provider Bonds

Subject only to the provisions of the Indenture regarding Bonds Constitute Limited Obligations, notwithstanding any other provision contained in the Indenture to the contrary, Bonds which are Credit Provider Bonds shall have terms and conditions, including terms of maturity, payment, prepayment, interest rate and cusip numbers, as shall be specified in the applicable Credit Support Agreement.

2008 Project Fund

(a) The Trustee shall establish and maintain in trust a separate fund designated as the “2008 Project Fund.” Money deposited in said fund shall be used to pay Costs of the Project as provided in this section.

(b) The Trustee shall make payments from the 2008 Project Fund, except payments and withdrawals pursuant to subsection (e) of this section, in the amounts, at the times, in the manner and on the other terms and conditions set forth in this subsection. Before any such payment from the 2008 Project Fund shall be made, there shall be filed with the Trustee a requisition therefor, signed by an Authorized Authority Representative substantially in the form of Exhibit F to the Indenture. Each such requisition shall state, in respect of the payment to be made (a) the name and address of the person, firm or corporation to whom payment is due, (b) the amount of such payment, and (c) the particular item of the cost of the Project to be paid and that such payment in the stated amount is a proper charge against the 2008 Project Fund and that no part of such payment shall be applied to any item which has previously been paid as a cost of the Project. The Trustee shall promptly issue its check to the Authority or to the Person identified in the requisition in the amount or amounts specified in each such requisition or, if requested pursuant to any such requisition, shall by wire transfer interbank transfer or other method arrange to promptly make each payment required by such requisition. The Authority shall apply, or cause to be applied, all such moneys received by it from the 2008 Project Fund to the payment of the Costs of the Project identified in the requisition relating to such moneys.

Each such requisition shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. Upon receipt of each such requisition, signed by an Authorized Authority Representative, the Trustee shall pay the amount set forth therein as directed by the terms thereof.

(c) Upon the receipt by the Trustee of a certificate of an Authorized Authority Representative requesting the Trustee to close the 2008 Project Fund, and after payment from the 2008 Project Fund of all amounts included in requisitions submitted by the Authority pursuant to subsection (b) of this section, the Trustee shall transfer any moneys remaining in the 2008 Project Fund to such account or accounts in the Revenue Fund as directed by an Authorized Authority Representative. Upon such transfer, the Trustee shall close the 2008 Project Fund.

(d) Moneys held in the 2008 Project Fund may, subject to the Tax Certificate, be invested and reinvested to the fullest extent practicable in any investment in which the Authority can legally invest its funds, which mature not later than such times as shall be necessary to provide moneys when needed for payments to be made from the 2008 Project Fund. Any investment earnings on moneys on deposit in the 2008 Project Fund shall be deposited in the

2008 Project Fund and be used in the same manner as other amounts on deposit in the 2008 Project Fund. Until the 2008 Project Fund is closed as provided in subsection (c) of this section, interest or other income (net of that which (i) represents a return of accrued interest paid in connection with the purchase of any investment or (ii) is required to effect the amortization of any premium paid in connection with the purchase of any investment) earned on any moneys or investments derived from proceeds of the Bonds in the Interest Account created under the Indenture shall be paid into the 2008 Project Fund.

(e) In the event of redemption of all the Bonds or an Event of Default which causes acceleration of the Bonds, any moneys then remaining in the 2008 Project Fund shall be transferred to such account or accounts in the Revenue Fund as directed by an Authorized Authority Representative.

Funds

To ensure the payment when due and payable, whether at maturity or upon redemption or upon acceleration, of the principal of, Redemption Price, if any, and interest on the Bonds and Net Payments under the Qualified Swap Agreements, there are established the following funds and accounts, to be held and maintained by the Trustee and applied as provided in the Indenture for so long as any of the Bonds or other Obligations are Outstanding:

(a) the City of Pittsburg Public Financing Authority Water Revenue Refunding Bonds Revenue Fund (the “Revenue Fund”), comprised of an Interest Account and a Capitalized Interest Subaccount therein, a Principal Account, a Sinking Fund Account and a Debt Service Reserve Account; and

(b) the City of Pittsburg Public Financing Authority Water Revenue Refunding Bonds Redemption Fund (the “Redemption Fund”).

Receipt and Deposit of Revenues in the Revenue Fund

In order to carry out and effectuate the pledge, charge and lien contained in the Indenture, the Authority agrees and covenants that all Revenues when and as received by the Authority will be forthwith transferred by the Authority to the Trustee for deposit in the Revenue Fund established under the Indenture.

There shall not be deposited with the Trustee any Revenues eligible for allocation to the Authority for deposit in the Revenue Fund pursuant to the Act in an amount in excess of that amount which, together with all money then on deposit with the Trustee in the Revenue Fund and the accounts therein, shall be sufficient to discharge all Outstanding Obligations as provided in the provisions of the Indenture regarding Defeasance.

The Authority covenants and agrees that all Revenues deposited in the Revenue Fund will be accounted for through, and held in trust in the Revenue Fund, and the Authority shall have no beneficial right or interest in any of such money, except only as provided in the Indenture. All such Revenues shall nevertheless be disbursed, allocated and applied solely to the uses and purposes in the Indenture set forth, and shall be accounted for separately and apart from all other money, funds, accounts or other resources of the Authority.

Flow of Funds

All moneys in the Revenue Fund shall be set aside by the Trustee when and as received in the following respective special accounts within the Revenue Fund; provided, however, that all receipts and payments made to the City pursuant to Qualified Swap Agreements and assigned to the Authority pursuant to the 2008 Contract and constituting Revenues shall immediately upon receipt thereof be deposited in the Interest Account. All moneys in each of such accounts shall be held in trust by the Trustee and shall be applied, used and withdrawn only for the purposes hereinafter authorized in this section.

(1) Interest Account and Capitalized Interest Subaccount.

(a) Five Business Days prior to the first Business Day of each month or each payment date for Net Payments specified in a Qualified Swap Agreement, as applicable, the Trustee shall calculate the sum of the following amounts (the resulting sum of (x) and (y) below being referred to in the Indenture as the “Total Interest Due”):

(x) an amount equal the interest paid on all Outstanding Bonds on all Interest Payment Dates in the immediately preceding month (provided that, if the date of calculation thereof falls on a Business Day that precedes the last Interest Payment Date in the such month, then the Trustee shall assume, for purposes of the calculation in this clause (x), that the last interest payment in such month will be equal to the penultimate interest payment in such month);

(y) plus the amount of Net Payments to be paid or received on the applicable payment date pursuant to a Qualified Swap Agreement in the month in which such calculation is being made.

If, in any month the timing of payments and receipts of funds in the Interest Account causes an insufficiency with respect to amounts owed and payable therefrom as the same become due, then the Trustee shall notify the City of such insufficiency and request a deposit to satisfy the same.

All moneys in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds and any other Obligations, and Net Payments, or to pay Credit Provider Obligations, as the same shall become due and payable, subject to the provisions of the Indenture regarding Flow of Funds Section.

Principal Account. Five Business Days prior to each Principal Payment Date, the Trustee shall set aside from the Revenue Fund and deposit in the Principal Account an amount of money which, together with any money contained therein, is equal to the aggregate amount of the principal becoming due and payable on all Outstanding Bonds on such Principal Payment Date. All money in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Outstanding Bonds, or to pay Credit Provider Obligations, as the same shall become due and payable.

Sinking Fund Account. Five Business Days prior to each Principal Payment Date, the Trustee shall set aside from the Revenue Fund and deposit in the Sinking Fund Account an amount of money which, together with any money contained therein, is equal to the aggregate amount of Sinking Fund Installments becoming due and payable with respect to all Outstanding Bonds on such Principal Payment Date. All moneys in the Sinking Fund Account shall be used by the Trustee to redeem the Outstanding Bonds or to pay Credit Provider Obligations. In the event that Bonds or which are Term Obligations purchased or redeemed at the option of the

Authority are deposited with the Trustee for the credit of the Sinking Fund Account not less than forty-five (45) days prior to the due date for any Sinking Fund Installment for such Bonds, such deposit shall satisfy (to the extent of 100% of the principal amount of such Bonds) any obligation of the Authority to make a payment with respect to such Sinking Fund Installments. Any Bond so deposited with the Trustee shall be cancelled and shall no longer be deemed to be Outstanding for any purpose. Upon making the deposit with the Trustee of Bonds which are Term Obligations as provided in this paragraph, the Authority may specify the dates and amounts of Sinking Fund Installments for such Bonds as to which the Authority's obligations to make a payment with respect to Sinking Fund Installments for such Bonds shall be satisfied; provided that so long as the Credit Support Instrument is in effect, the dates and amounts specified pursuant to the Indenture shall apply.

Debt Service Reserve Account. (i) The Trustee shall set aside from the Revenue Fund and deposit in the Debt Service Reserve Account an amount of money (or other authorized deposit of security, as provided in paragraph (v) below) equal to the Debt Service Reserve Requirement for the Bonds then Outstanding. The Debt Service Reserve Account shall be replenished in the following priority: (i) principal and interest on Reserve Financial Guaranties shall be paid from first available Revenues on a pro rata basis; and (ii) after all such amounts are paid in full, amounts necessary to fund the Debt Service Reserve Account to the required level, after taking into account the amounts available under the Reserve Financial Guaranties shall be deposited from next available Revenues. No deposit need be made in the Debt Service Reserve Account so long as there shall be on deposit therein an amount equal to the Debt Service Reserve Requirement of the Bonds then Outstanding. If on any date on which the principal or Redemption Price of, or interest on, Bonds or an Authority Swap Payment is due, the amount in the applicable account in the Revenue Fund available for such payment is less than the amount of the principal and Redemption Price of and interest on the Bonds or Authority Swap Payment due on such date, the Trustee shall apply amounts from the Debt Service Reserve Account to the extent necessary to make good the deficiency.

(ii) Except as provided in paragraph (v) below, if on the last Business Day of any month the amount on deposit in any Debt Service Reserve Account shall exceed the Debt Service Reserve Requirement, such excess shall be applied to the reimbursement of each drawing on a Reserve Financial Guaranty deposited in or credited to such Fund and to the payment of interest or other amounts due with respect to such a Reserve Financial Guaranty and any remaining moneys shall be deposited in the Interest Account.

(iii) Whenever the amount in the Debt Service Reserve Account (excluding Reserve Financial Guaranties), together with the amount in the Revenue Fund, is sufficient to pay in full all of the Outstanding Bonds in accordance with their terms (including principal or Redemption Price and interest thereon), the funds on deposit in the Debt Service Reserve Account shall be transferred to the Revenue Fund.

(iv) In the event of the refunding of one or more Bonds (or portions thereof), the Trustee shall, upon the written direction of an Authorized Authority Representative, withdraw from the Debt Service Reserve Account any or all of the amounts on deposit therein (excluding Reserve Financial Guaranties) and deposit such amounts with itself as Trustee, or the Escrow Agent for the Bonds to be refunded, to be held for the payment of the principal or Redemption Price, if any, of, and interest on, the Bonds (or portions thereof) being refunded; provided that such withdrawal shall not be made unless (a) immediately thereafter the Bonds (or portions thereof) being refunded shall be deemed to have been paid pursuant to the provisions of the Indenture regarding Bonds Deemed Paid, and (b) the amount remaining in the Debt Service

Reserve Account after such withdrawal, taking into account any deposits to be made in the Debt Service Reserve Account in connection with such refunding, shall not be less than the Debt Service Reserve Requirement.

(v) In lieu of the deposits and transfers to the Debt Service Reserve Account required by the provisions of the Indenture regarding Flow of Funds, the Authority may cause to be deposited in the Debt Service Reserve Account a Reserve Financial Guaranty or Reserve Financial Guaranties in an amount equal to the difference between the Debt Service Reserve Requirement and the sums, if any, then on deposit in the Debt Service Reserve Account or being deposited in such Fund concurrently with such Reserve Financial Guaranty or Guaranties. The Trustee shall draw upon or otherwise take such action as is necessary in accordance with the terms of the Reserve Financial Guaranties to receive payments with respect to the Reserve Financial Guaranties (including the giving of notice as required thereunder): (i) on any date on which moneys shall be required to be withdrawn from the Debt Service Reserve Account and applied to the payment of principal or Redemption Price of, or interest on, any Bonds or of an Authority Swap Payment and such withdrawal cannot be met by amounts on deposit in the applicable accounts in the Debt Service Reserve Account; (ii) on the first Business Day which is at least ten (10) days prior to the expiration date of each Reserve Financial Guaranty, in an amount equal to the deficiency which would exist in the Debt Service Reserve Account if the Reserve Financial Guaranty expired, unless a substitute Reserve Financial Guaranty with an expiration date not earlier than 180 days after the expiration date of the expiring Reserve Financial Guaranty is acquired prior to such date or the Authority deposits funds in the Debt Service Reserve Account on or before such date such that the amount in the Debt Service Reserve Account on such date (without regard to such expiring Reserve Financial Guaranty) is at least equal to the Debt Service Reserve Requirement.

If, upon the deposit of a Reserve Financial Guaranty into the Debt Service Reserve Account pursuant to this paragraph (v), there shall be any amount in the Debt Service Reserve Account in excess of the Debt Service Reserve Requirement, such excess amount may be applied to the cost of acquiring such Reserve Financial Guaranty and, to the extent not so applied, shall be transferred to the Interest Account or, with a Favorable Opinion of Bond Counsel, as directed by the Authority.

If at any time obligations insured or issued by a Reserve Financial Guaranty Provider shall no longer maintain the required ratings set forth in the definition of "Reserve Financial Guaranty" in the Definitions section of this summary, the Authority shall provide or cause to be provided cash or a substitute Reserve Financial Guaranty meeting such requirements to the extent necessary to satisfy the Debt Service Reserve Requirement with either cash, qualified Reserve Financial Guaranties or a combination thereof.

(b) In the event that on any date upon which the Authority is to make a payment from Revenues pursuant to paragraphs (1), (2) and/or (3) of subsection (a) above and the amount of available Revenues is not sufficient to make such payment, then the Authority shall apply the available Revenues first to the payments required by paragraph (1) of subsection (a) above, and, then to the payments required by paragraphs (2) and/or (3) of subsection (a) above ratably (based on the respective amounts to be paid), without any discrimination or preferences.

(c) In the event that on any date upon which the Authority is to make a payment or deposit from Revenues pursuant to paragraph (4) of subsection (a) above and the amount of available Revenues is not sufficient to make such payment or deposit, then the Authority, after making the payments required by paragraphs (1), (2) and/or (3) of subsection (a)

above, shall apply the available Revenues to the payments required by paragraph (4) of subsection (a) above ratably (based on the respective amounts to be paid), without any discrimination or preferences.

(d) In the event one or more Paying Agents have been appointed for the Bonds, moneys may be transferred by the Trustee to such Paying Agents from the appropriate account in the Revenue Fund for deposit into a special trust account to ensure the payment when due of the principal of, Redemption Price, if any, and interest on the Bonds. In the event that any principal of, Redemption Price or interest on, any Bond has been paid from amounts made available pursuant to a Credit Support Instrument, amounts in the appropriate accounts in the Revenue Fund with respect to such Bond, and any such amounts transferred by the Trustee from the Revenue Fund to a Paying Agent for such Bond pursuant to this section, shall be paid to the applicable Credit Provider as a reimbursement of the amounts so paid.

Redemption Fund

From the moneys paid by the Authority, the Trustee shall, on or before each date fixed for redemption, deposit in the Redemption Fund an amount equal to the Redemption Price of the Bonds to be redeemed. Said moneys shall be set aside in said Fund and shall be applied on or after the redemption date to the payment of the Redemption Price of the Bonds to be redeemed and, except as otherwise provided in this section, shall be used only for that purpose. In the event one or more Paying Agents have been appointed for the Bonds which are to be redeemed with moneys in the Redemption Fund, amounts in the Redemption Fund may be transferred from such Fund by the Trustee to the Paying Agent for the Bonds to be redeemed for deposit into a special trust account held by such Paying Agent to ensure the payment when due the Redemption Price of the Bonds to be redeemed. In the event that the Redemption Price of a Bond has been paid by a Credit Provider pursuant to a Credit Support Instrument, amounts in the Redemption Fund with respect to such Redemption Price, and any such amounts transferred by the Trustee from the Redemption Fund to a Paying Agent for such Bonds pursuant to this section, shall be paid to such Credit Provider as a reimbursement of the amounts so paid. If, after all of the Bonds designated for redemption have been redeemed and cancelled or paid and cancelled, there are moneys remaining in the Redemption Fund, said moneys shall be transferred to the Interest Account; provided, however, that if said moneys are part of the proceeds of Refunding Obligations said moneys shall be applied as provided in the Issuing Instrument authorizing the issuance of such Refunding Obligations.

Rebate Fund

For purposes of complying with tax covenants contained in the Indenture, there is established a fund designated the "Rebate Fund" to be held by the Trustee. Amounts on deposit in the Rebate Fund shall be applied as provided in the Tax Certificate.

Depositories

The Trustee shall hold all moneys deposited with it pursuant to the Indenture or may deposit such moneys with one or more Depositories in trust. All moneys deposited under the provisions of the Indenture with the Trustee or any Depository shall be held in trust and applied only in accordance with the provisions of the Indenture, and each of the Funds established by the Indenture shall be a trust fund for the purposes thereof.

Deposits

All moneys held by the Trustee under the Indenture may be placed on demand or time deposit, if and as directed by the Authority, provided that such deposits shall permit the moneys so held to be available for use at the time when reasonably expected to be needed. No Trustee shall be liable for any loss or depreciation in value resulting from any investment made pursuant to the Indenture. Any such deposit may be made in the commercial banking department of the Trustee or its affiliates which may honor checks and drafts on such deposit with the same force and effect as if it were not such Trustee. All moneys held by the Trustee, as such, may be deposited by such Trustee in its banking department on demand or, if and to the extent directed by the Authority and acceptable to such Trustee, on time deposit, provided that such moneys on deposit be available for use at the time when reasonably expected to be needed. Such Trustee shall allow and credit on such moneys such interest, if any, as it customarily allows upon similar funds of similar size and under similar condition or as required by law.

All moneys held under the Indenture by the Trustee shall be (1) either (A) continuously and fully insured by the Federal Deposit Insurance Corporation, or (B) continuously and fully secured by lodging with the Trustee or any Federal Reserve Bank, as custodian, as collateral security, such securities as are described in clauses (a) through (c), inclusive, of the definition of "Permitted Investments" in the Definitions section having a market value (exclusive of accrued interest) not less than the amount of such moneys, or (2) held in such other manner as may then be required by applicable Federal or State of California laws and regulations and applicable state laws and regulations of the state in which such Trustee is located, regarding security for, or granting a preference in the case of, the deposit of trust funds; provided, however, that it shall not be necessary for the Fiduciaries to give security under this subsection for the deposit of any moneys with them held in trust and set aside by them for the payment of the principal amount or Redemption Price of, or interest on, any Bonds or to give security for any moneys which shall be represented by obligations or certificates of deposit purchased as an investment of such moneys.

All moneys deposited with the Trustee shall be credited to the particular Fund to which such moneys belong.

Investment of Certain Funds

Moneys held in the Revenue Fund shall be invested and reinvested by the Trustee to the fullest extent practicable in Permitted Investments which mature not later than such times as shall be necessary to provide moneys when reasonably expected to be needed for payments to be made from such Funds. Moneys held in the Debt Service Reserve Account shall be invested and reinvested by the Trustee in Permitted Investments which mature, or which may be drawn upon, not later than such times as shall be necessary to provide moneys when reasonably expected to be needed for payments to be made from such Account, but, except for investments which permit the Trustee to make withdrawals without penalty, at any time upon not more than two Business Days notice, to provide moneys for payments to be made from such Account, not later than five years from the time of such investment. The Trustee shall make all such investments of moneys held by it and shall sell or otherwise liquidate any such investment and take all actions necessary to draw funds under any such investment, including the giving of necessary notices of the drawing of any moneys under any investment, in each case in accordance with directions of an Authorized Authority Representative, which directions shall be consistent with the Indenture and applicable law, and which directions can either be written or oral; provided that if such directions are oral they shall be promptly confirmed in writing by such Authorized Authority Representative. In the absence of any such written investment directions, the Trustee shall, unless otherwise provided in

this section, invest such moneys in the money market funds described in clause (f) of the definition of “Permitted Investments.”

Except as otherwise provided in a Supplemental Indenture, interest or other income (net of that which (i) represents a return of accrued interest paid in connection with the purchase of any investment or (ii) is required to effect the amortization of any premium paid in connection with the purchase of any investment) earned on any moneys or investments in the Funds created under the Indenture, except the Project Fund and the Costs of Issuance Fund, shall be paid into the Interest Account.

In making any investment in any Permitted Investments with moneys in any Fund established under the Indenture, the Trustee may combine such moneys with moneys in any other Fund but solely for the purposes of making such investment in such Investments and provided that any amount so combined shall be separately accounted for. The Trustee may act as principal or agent in the acquisition or disposition of investments.

Nothing in the Indenture shall prevent any Permitted Investments acquired as investments of moneys in any Fund from being issued or held in book-entry form on the books of the Department of the Treasury or the Federal Reserve System of the United States.

Sale of Investments

Obligations purchased as an investment of moneys in any Fund shall be deemed at all times to be a part of such Fund and any profit realized from the liquidation of such investment shall be credited to such Fund and any loss resulting from the liquidation of such investment shall be charged to the respective Fund.

Except as otherwise provided in the Indenture, the Trustee may sell at the best price reasonably obtainable, or present for redemption, any obligation purchased as an investment whenever it shall be directed by the Authority so to do or whenever it shall be necessary in order to provide moneys to meet any payment or transfer from any Fund held by it. Any obligation purchased as an investment may be credited on a pro-rata basis to more than one Fund and need not be sold in order to provide for the transfer of amounts from one Fund to another, provided that such obligation is an appropriate Permitted Investment for the purposes of the Fund to which it is to be transferred. The Trustee shall not be liable or responsible for making any such investment in the manner provided above or for any loss resulting from any such investment.

Compliance with Indenture

The Authority shall punctually pay the Bonds and the other Obligations in strict conformity with the terms of the Indenture and the Bonds and other Obligations, and shall faithfully observe and perform all the agreements, conditions, covenants and terms contained in the Indenture required to be observed and performed by it, and shall not fail to make any payment required by the Indenture for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State or any political subdivision of either or any failure of any party to observe or perform any agreement, condition, covenant or term contained in any contract or agreement required to be observed and performed by it, whether express or implied, or any duty, liability or obligation arising out of or connected with any such contract or agreement or the insolvency, or deemed insolvency, or bankruptcy or liquidation of any party or any force majeure, including acts of God,

tempest, storm, earthquake, war, rebellion, riot, civil disorder, acts of public enemies, blockade or embargo, strikes, industrial disputes, lockouts, lack of transportation facilities, fire, explosion, or acts or regulations of governmental authorities.

Punctual Payment and Performance

The Authority will punctually pay the interest on and principal of and redemption premium, if any, to become due on every Bond issued under the Indenture or payments due (excluding Termination Payments under a Qualified Swap Agreement the rights and obligations of which have been assigned to the Authority) from the Revenues in strict conformity with the terms of the Indenture and of the Bonds or a Qualified Swap Agreement, and will faithfully observe and perform all the agreements, conditions, covenants and terms to be observed or performed by it contained in the Indenture and in the Bonds or a Qualified Swap Agreement.

Against Encumbrances

The Authority will not mortgage or otherwise encumber, pledge or place any charge upon any of the Revenues or Revenue Fund, except as provided in the Indenture, and will not issue any bond, note, or other evidence of indebtedness payable from or secured by the Revenues or Revenue Fund on a basis which is: (i) in any manner prior or superior to the lien on, pledge of and security interest in the Revenues or Revenue Fund securing the Outstanding Bonds and other Obligations pursuant to the Indenture; (ii) except for Obligations with respect to the Revenues or Revenue Fund, in any manner on a parity with the lien on, pledge of and security interest in the Revenues or Revenue Fund securing the Outstanding Bonds pursuant to the Indenture; or (iii) in any manner subordinate to the lien on, pledge of and security interest in the Revenues or Revenue Fund securing the Outstanding Bonds and the other Obligations pursuant to the Indenture.

Extension or Funding of Claims for Interest

In order to prevent any claims for interest after maturity, the Authority will not, directly or indirectly, extend or consent to the extension of the time for the payment of any claim for interest on any Bonds or other Obligations and will not, directly or indirectly, be a party to or approve any such arrangements by purchasing or funding said claims for interest or in any other manner. In case any such claim for interest shall be extended or funded, whether or not with the consent of the Authority, such claim for interest so extended or funded shall not be entitled, in case of default under the Indenture, to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which shall not have been so extended or funded.

Accounting Records and Reports

The Authority will keep or cause to be kept proper books of record and accounts in which complete and correct entries shall be made of all transactions relating to the receipts, disbursements, allocation and application of the Revenues, and such books shall be available for inspection by the Trustee and the Credit Provider at reasonable hours and under reasonable conditions. Not more than one hundred eighty (180) days after the close of each Fiscal Year, the Authority will furnish or cause to be furnished to the Trustee audited financial statements for such Fiscal Year prepared by an Independent Certified Public Accountant. The Authority will also keep or cause to be kept such other information as required under the Tax Certificate, and the Trustee shall have no duty to review or examine such statements.

Prosecution and Defense of Suits

The Authority will defend against every suit, action or proceeding at any time brought against the Trustee upon any claim to the extent arising out of the receipt, application or disbursement of any of the Revenues or to the extent involving the failure of the Authority to fulfill its obligations under the Indenture; provided, that the Trustee, the Credit Provider or any affected Owner at its election may appear in and defend any such suit, action or proceeding. The Authority will indemnify and hold harmless the Trustee against any and all liability claimed or asserted by any person to the extent arising out of any such failure by the Authority, and will indemnify and hold harmless the Trustee against any attorney's fees or other expenses which it may incur in connection with any litigation to which it may become a party by reason of its actions under the Indenture, except for any loss, cost, damage or expense resulting from the active or passive negligence, willful misconduct or breach of duty by the Trustee.

Protection of Security and Rights of Owners

The Authority will preserve and protect the security of the Bonds and other Obligations and the rights of the Owners, the Credit Provider and providers or Owners of other Obligations, and will warrant and defend their rights against all claims and demands of all persons. From and after the sale and delivery of any Bonds by the Authority, such Bonds shall be incontestable by the Authority.

Tax Covenants

The Authority will not use or permit the use of any proceeds of Bonds or any funds of the Authority, directly or indirectly, to acquire any securities or obligations and will not take or permit to be taken any other action or actions which would cause any Bonds to be "arbitrage bonds" within the meaning of section 148 of the Code, "private activity bonds" within the meaning of Section 141(a) of the Code or "federally guaranteed" within the meaning of Section 149(b) of the Code and any applicable requirements thereunder and under Section 103(c) of the Code. The Authority will observe and will not violate the requirements of Section 148 of the Code and any applicable regulations thereunder, and the Authority will comply with all requirements of Sections 148 and 149(b) of the Code and any applicable regulations thereunder to the extent applicable to the Bonds. In the event that at any time the Authority is of the opinion that for purposes of this section it is necessary to restrict or to limit the yield on the investment of any money held by the Trustee under the Indenture, the Authority shall so instruct the Trustee in writing, and the Trustee shall take such action as may be necessary in accordance with such instructions.

The Authority will comply with the provisions and procedures of the Tax Certificate, and the Trustee shall only be obligated to follow the directions of the Authority agreed to be followed by it under the Indenture.

The Authority will not use or permit the use of any proceeds of the Bonds or any funds of the Authority, directly or indirectly, in any manner, and will not take or omit to take any action that would cause any of the Bonds to be treated as an obligation not described in Section 103(a) of the Code and any applicable regulations thereunder or which would affect the exemption of interest on the Bonds from State personal income taxes.

Notwithstanding any provisions of this section, if the Authority provides the Trustee with an Opinion of Counsel that any specified action required under this section is no longer required

or that some further or different action is required to maintain the exclusion from federal income tax of interest with respect to the Bonds, the Trustee may conclusively rely on such opinion in complying with the requirements of this section, and, notwithstanding the provisions of the Indenture regarding Application of Proceeds, the tax covenants under the Indenture shall be deemed to be modified to that extent.

Amendments to 2008 Contract

The Authority will not supplement, amend, modify or terminate any of the terms of the 2008 Contract, or consent to any such supplement, amendment, modification or termination, without the prior written consent of the Trustee, which consent shall be given only if (a) such supplement, amendment, modification or termination will not materially adversely affect the interests of the Owners or providers of other Obligations or result in any material impairment of the security given for the payment of the Bonds or the other Obligations, or (b) the Trustee first obtains the written consent of: (i) the Owners of a majority in aggregate principal amount of the Bonds then Outstanding to such supplement, amendment, modification or termination, and (ii) if such supplement, amendment or modification or termination materially adversely affects any provisions of the Qualified Swap Agreements, such Providers; provided, that no such supplement, amendment, modification or termination shall reduce the amount of 2008 Installment Payments to be made to the Authority by the City pursuant to the 2008 Contract, or extend the time for making such 2008 Installment Payments, or permit the creation of any lien prior to the lien created by the 2008 Contract on the Revenues of the Water System without the written consent of the Owners of all the Bonds then Outstanding and the Providers of all Qualified Swap Agreements. Notwithstanding any contrary provision of the 2008 Indenture, the Authority shall not supplement, amend, modify or terminate any of the terms of the 2008 Contract, or consent to any such supplement, amendment, modification or termination, without the prior written consent of the Credit Provider; and such written consent of the Credit Provider and such providers shall be full authority to the City and the Authority to supplement, amend, modify or terminate the 2008 Contract to the extent of such written consent, with or without the consent of the Trustee or any Owner of Bonds. The Authority shall provide each rating agency then rating the Bonds notice of any amendment to the 2008 Contract, together with a copy of the proposed amendment, at least fifteen (15) days in advance of the effective date thereof.

Continuing Disclosure

The Authority will comply with and carry out all of the provisions of any Continuing Disclosure Certificate executed by it under the Indenture, as originally executed and as it may be amended from time to time in accordance with the terms thereof; provided, that notwithstanding any other provisions of the Indenture, failure of the Authority to comply with such Continuing Disclosure Certificate shall not be considered an Event of Default under the Indenture; and provided further, that any Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Authority to comply with its obligations under this section.

Further Assurances

The Authority shall adopt, make, execute and deliver any and all such further indentures, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture, and for the better assuring and confirming unto the Owners of the Bonds, the Credit Providers and providers or Owners of other Obligations of the rights and benefits provided in the Indenture.

Amendments Permitted

(a) Subject to the provisions of subsection (c) of this section, the provisions of the Indenture or of any Supplemental Indenture and the rights and obligations of the Authority and of the Owners of the Outstanding Bonds and of the Fiduciaries may be modified, amended or supplemented from time to time and at any time by a Supplemental Indenture or Supplemental Indentures, with the written consent of each Credit Provider when the written consent of the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding shall have been filed with the Trustee; or if less than all of the Outstanding Bonds are affected, the written consent of the Owners of at least a majority in aggregate principal amount of all affected Outstanding Bonds; provided that if such modification, amendment or supplement shall, by its terms, not take effect so long as any Bonds of any particular maturity remain Outstanding, and, with respect to Bonds which are Tender Indebtedness if the conditions of subsection (c) of this section are satisfied, the consent of the Owners of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any the calculation of Outstanding Bonds for purposes of this section. No such modification, amendment or supplement shall (1) reduce the aforesaid percentage of Bonds the consent of the Owners of which is required to effect any such modification, amendment or supplement without the consent of the Owners of all of the Bonds then Outstanding; or (2) modify the rights or obligations of the Trustee without the consent of such Trustee.

It shall not be necessary for the consent of the Owners to approve the particular form of any Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof.

Prior to the entry into any Supplemental Indenture by the Authority and the Trustee for any of the purposes of this section, the Authority shall cause notice of the proposed Supplemental Indenture to be mailed, by first class mail, postage prepaid, to the Owners of all Outstanding Bonds (or the affected Outstanding Bonds) at their addresses appearing on the Bond Register. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that copies thereof are on file at the office of the Trustee for inspection by each Owner of an Outstanding Bond.

Whenever, at any time after the date of the mailing of notice of the proposed entry into a Supplemental Indenture pursuant to this subsection, the Authority shall have received an instrument or instruments in writing executed in accordance with the provisions of the Indenture regarding the Execution of Documents and Proof of Ownership by or on behalf of the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding, or if less than all of the Outstanding Bonds are affected, by the Owners of not less than a majority in aggregate principal amount of the affected Outstanding Bonds, which instrument or instruments shall refer to the proposed Supplemental Indenture described in the notice of the proposed Supplemental Indenture and shall consent to such Supplemental Indenture in substantially the form referred to in such notice, thereupon, but not otherwise, the Authority and the Trustee may enter into such Supplemental Indenture in substantially such form, without liability or responsibility to any Owner of any Bond, whether or not such Owner shall have consented thereto.

(b) The Indenture and any Supplemental Indenture and the rights and obligations of the Authority, the Trustee and the Owners of the Outstanding Bonds may also be modified, amended or supplemented from time to time and at any time by a Supplemental Indenture or Supplemental Indentures, which the Authority and the Trustee may enter into with the consent of

the Credit Provider but without the consent of any Owners of Bonds (but with the consent of any affected Trustee), so long as such modification, amendment or supplement shall not materially, adversely affect the interests of the Owners of the Outstanding Bonds, including without limitation, for any one or more of the following purposes:

(i) to add to the covenants and agreements of the Authority contained in the Indenture or a Supplemental Indenture other covenants and agreements thereafter to be observed, to pledge, provide or assign any security for the Bonds (or any portion thereof), or to surrender any right or power in the Indenture reserved to or conferred upon the Authority;

(ii) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Indenture or a Supplemental Indenture, or in regard to matters or questions arising under the Indenture or a Supplemental Indenture, as the Authority may deem necessary or desirable; or

(iii) to modify, amend or supplement the Indenture or a Supplemental Indenture in such manner as to permit the qualification of the Indenture under the Trust Indenture Act of 1939, as amended, or any similar federal statute thereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute.

(c) Notwithstanding anything to the contrary in this section, the provisions of the Indenture or any Supplemental Indenture may also be modified, amended or supplemented by a Supplemental Indenture or Supplemental Indentures, including amendments which would otherwise be described in subsection (a) of this section, without the consent of the Owners of Bonds constituting Tender Indebtedness if either (i) the effective date of such Supplemental Indenture is a date on which such Bonds are subject to mandatory tender for purchase pursuant to the Indenture or (ii) the notice described in the third paragraph of subsection (a) of this section is given to Owners of such Bonds at least thirty (30) days before the effective date of such Supplemental Indenture, and on or before such effective date, the Owners of such Bonds have the right to demand purchase of such Bonds pursuant to the Indenture.

(d) For purposes of this section, it shall not be necessary that consents of the Owners of any particular percentage of Outstanding Bonds be obtained but it shall be sufficient for purposes of this section if the consent of the Owners of a majority in aggregate principal amount of the combination of affected Outstanding Bonds shall be obtained.

(e) Notwithstanding anything to the contrary contained in this section, if authorized by the Supplemental Indenture authorizing the issuance of a Bond constituting Tender Indebtedness, any premium due on the redemption of such Bond and the date or dates when such Bond is subject to redemption may be modified or amended as provided in such Supplemental Indenture if either: (i) the effective date of such modification or amendment is a date on which such Bond is subject to mandatory tender for purchase pursuant to such Supplemental Indenture; or (ii) notice of such modification or amendment has been mailed to the Owner of such Bond at the address set forth in the Bond Register at least thirty (30) days before the effective date of such modification or amendment and on or before such effective date, the Owner of such Bond has the right to demand purchase of such Bond pursuant to such Supplemental Indenture.

Effect of Supplemental Indenture

Upon the Authority and the Trustee entering into any Supplemental Indenture pursuant to the provisions of the Indenture regarding Amendments to Indenture, the Indenture shall be

deemed to be modified, amended or supplemented in accordance therewith, and the respective rights, duties and obligations under the Indenture of the Authority, the Trustee and all Owners of Outstanding Bonds shall thereafter be determined, exercised and enforced subject in all respects to such modification, amendment and supplement, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of the Indenture for any and all purposes. Upon the Authority and the Trustee entering into any Supplemental Indenture pursuant to the provisions of the Indenture regarding Amendments to Indenture, no Owner of any Bond shall have any right to object to the entry into such Supplemental Indenture by the Authority and the Trustee, or to object to any of the terms and provisions contained therein or the operation thereof or in any manner to question the propriety of the entry into such Supplemental Indenture, or to enjoin or restrain the Authority or the Trustee from entering into the same or to enjoin or restrain the Authority or the Trustee from taking any action pursuant to the provisions thereof whether or not such Owner gave his consent to such Supplemental Indenture.

Bonds Owned by Authority

For purposes of the provisions of the Indenture regarding Amendments to Indenture, Bonds owned or held by or for the account of the Authority, or any funds of the Authority, shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in the provisions of the Indenture regarding Amendments to Indenture, and the Authority shall not be entitled with respect to such Bonds to give any consent or take any other action provided for in the provisions of the Indenture regarding Amendments to Indenture as an Owner of Bonds. At the time of any consent or other action taken under the provisions of the Indenture regarding Amendments to Indenture, the Authority shall furnish the Trustee a certificate of an Authorized Authority Representative upon which the Trustee may rely, describing all Bonds so to be excluded.

Notation on Bonds

Bonds authenticated and delivered after the effective date of any Supplemental Indenture entered into by the Authority and the Trustee as in the provisions of the Indenture regarding Amendments to Indenture provided may bear a notation by endorsement or otherwise in a form approved by the Authority as to such action, and in that case upon demand of the Owner of any Bond Outstanding on such effective date and presentation of the Bond for the purpose at the Principal Office of the Trustee or upon any transfer or exchange of any Bond Outstanding on such effective date, suitable notation shall be made on such Bond or upon any Bond issued upon any such transfer or exchange by the Trustee as to any such action.

Consent of Providers or Owners of Obligations

The Indenture may not be amended in a manner which materially affects the rights of a provider or owner of any Obligations (excluding the Owners of Bonds) under the Indenture without the prior written consent of such provider or owner of such Obligations.

Trustee, Paying Agent and Remarketing Agent

Resignation of Trustee. The Trustee may at any time resign and be discharged of the duties and obligations created by the Indenture by giving not less than 60 days written notice to the Authority, each Credit Provider and each Reserve Financial Guaranty Provider, specifying the date when such resignation shall take effect; provided that no such resignation shall take effect

until a successor shall have been appointed in accordance with the provisions of the Indenture regarding the Appointment of Successor Trustee and the Financial Qualifications of Successor Trustee.

Removal of Trustee. The Trustee may be removed (i) with the consent of the Credit Provider and each Reserve Financial Guaranty Provider, at any time when no Event of Default has occurred and is continuing and when no event has occurred which, with notice or the passage of time, would become an Event of Default which has not been cured, by an instrument in writing signed by an Authorized Authority Representative and filed with the Trustee or (ii) with the consent of the Credit Provider and each Reserve Financial Guaranty Provider, at any time by an instrument or concurrent instruments in writing, filed with the Trustee, and signed by the Owners of a majority in principal amount of the Bonds then Outstanding or their attorneys-in-fact duly authorized, excluding any Bonds held by or for the account of the Authority or (iii) with the consent of the Credit Provider and each Reserve Financial Guaranty Provider, at any time by an instrument in writing signed by an Authorized Authority Representative and filed with the Trustee, for any breach of its fiduciary duties under the Indenture; provided that no such removal shall be effective until 30 days have lapsed from the filing of such instrument with the Trustee and until a successor shall have been appointed in accordance with the provisions of the Indenture regarding the Appointment of Successor Trustee and the Financial Qualifications of Successor Trustee.

Appointment of Successor Trustee and Financial Qualifications of Successor Trustee. In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property shall be appointed, or if any public officer shall take charge or control of the Trustee or of its property or affairs, a successor may be appointed by the Owners of a majority in principal amount of the Bonds then Outstanding, excluding any Bonds held by or for the account of the Authority, with the consent of the Credit Provider and each Reserve Financial Guaranty Provider, by an instrument or concurrent instruments in writing signed and acknowledged by such Owners of the Bonds or by their attorneys-in-fact duly authorized and delivered to such successor Trustee, notification thereof being given to the Authority and the predecessor Trustee; provided, nevertheless, that unless a successor Trustee shall have been appointed by the Owners of the Bonds as aforesaid, the Authority, by a duly executed written instrument signed by an Authorized Authority Representative shall forthwith appoint a Trustee to replace such resigning Trustee or to fill such vacancy until a successor Trustee shall be appointed by the Owners of the Bonds as authorized in this section. Any successor Trustee appointed by the Authority shall, immediately and without further act, be superseded by the Trustee appointed by the Owners of the Bonds. Any resignation or removal of the Trustee and appointment of a successor Trustee shall become effective only upon acceptance of appointment by the successor Trustee.

If in a proper case no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this section within 45 days after the Trustee shall have given to the Authority written notice as provided in the provisions of the Indenture regarding the Resignation of Trustee or after a vacancy in the office of the Trustee shall have occurred by reason of its inability to act, removal, or for any other reason whatsoever, the Trustee (in the case of its resignation under the provisions of the Indenture regarding Resignation of Trustee) or the Owner of any Bond (in any case) may apply to any court of competent jurisdiction to appoint a successor Trustee. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Trustee.

The Trustee appointed under the provisions of the Indenture regarding the Trustee or any successor to the Trustee shall be a bank or trust company organized under the laws of any state of the United States or national banking association, doing business and having its principal corporate trust office in New York, New York, or Chicago, Illinois, or Los Angeles, California, or San Francisco, California, duly authorized to exercise trust powers and subject to examination by federal or state authority. Each successor Trustee shall have capital stock and surplus aggregating at least \$75,000,000, or have all of its obligations under the Indenture guaranteed by a bank or trust company organized under the laws of the United States, or any state thereof, with a capital stock and surplus or net worth of \$75,000,000, if there be such a bank or trust company or national banking association willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Indenture. Each successor Trustee shall be acceptable to the Credit Provider. If such bank, national banking association, or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority, then for the purposes of this section the combined capital and surplus of such bank, trust company, or national banking association shall be deemed to be its combined capital and surplus set forth in its most recent report of condition so published.

Resignation or Removal of Paying Agent and Appointment of Successor. Any Paying Agent may at any time resign and be discharged of the duties and obligations created by the Indenture by giving at least 60 days written notice to the Authority, the Trustee, each Credit Provider, each Reserve Financial Guaranty Provider and the other Paying Agents. Any Paying Agent may be removed at any time by an instrument filed with such Paying Agent and the Trustee and signed by an Authorized Authority Representative. Any successor Paying Agent shall be appointed by the Authority with the approval of the Trustee and the Credit Provider and each Reserve Financial Guaranty Provider and shall be a commercial bank or trust company organized under the laws of any state of the United States or a national banking association, having capital stock and surplus aggregating at least \$25,000,000, and willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Indenture. If such bank, national banking association, or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority, then for the purposes of this section the combined capital and surplus of such bank, trust company, or national banking association shall be deemed to be its combined capital and surplus set forth in its most recent report of condition so published.

In the event of the resignation or removal of any Paying Agent, such Paying Agent shall pay over, assign and deliver any moneys held by it as Paying Agent to its successor, or if there be no successor, to the Trustee. In the event that for any reason there shall be a vacancy in the office of any Paying Agent, the Trustee shall act as such Paying Agent.

Resignation or Removal of Remarketing Agent and Appointment of Successor. The Remarketing Agent shall be a member of the National Association of Securities Dealers, having a combined capital stock, surplus and undivided profits of at least \$50,000,000 and authorized by law to perform all the duties imposed upon it hereunder and under the Remarketing Agreement. The Remarketing Agent may at any time resign and be discharged of the duties and obligations hereunder by giving notice to the Authority, the Trustee, the Tender Agent and the Credit Provider. Such resignation shall take effect on the sixtieth (60th) day after the receipt by the Authority of the notice of resignation. The Remarketing Agent may be removed at any time on forty-five (45) days prior written notice, by an instrument signed by the Authority, approved by the Credit Provider and delivered to the Remarketing Agent, the Trustee, the Authority and the Tender Agent. Notwithstanding the provisions of this paragraph, such removal or resignation of

the Remarketing Agent with respect to the Bonds shall not take effect prior to the date that a successor Remarketing Agent has been appointed by the Authority with the prior written consent of the Credit Provider, and the successor Remarketing Agent has accepted such appointment.

Payment of Bonds

(a) If the Authority shall pay, or cause to be paid, or there shall otherwise be paid, to the Owners of all Bonds the principal amount or Redemption Price, if applicable, of the Bonds, and interest due or to become due on the Bonds, at the times and in the manner stipulated therein and in the Indenture, together with all other sums payable by the Authority under the Indenture, including all fees and expenses of the Trustee and all Obligations secured pursuant to the Indenture, then and in that case, subject to the provisions of subsection (b) of this section, the Indenture, and the pledge of and lien on the Revenues and all money in the Revenue Fund and in the funds or accounts so specified and provided for in the Indenture and all covenants, agreements and obligations of the Authority contained therein, shall cease and terminate and shall be completely discharged and satisfied and the Authority shall be released therefrom and the Trustee shall assign and transfer to or upon the order of the Authority all property (in excess of the amounts required for the foregoing) then held by the Trustee under the Indenture free and clear of any liens or encumbrances hereon pursuant to the Indenture and shall execute such documents as may be reasonably required by the Authority in this regard.

(b) Notwithstanding the termination, satisfaction and discharge of the Indenture or the satisfaction discharge of the Indenture in respect of any Bonds, those provisions of the Indenture relating to the maturity of the Bonds, interest payments and dates thereof, tender and exchange provisions, exchange and transfer of Bonds, replacement of mutilated, destroyed, lost or stolen Bonds, the safekeeping and cancellation of Bonds, nonpresentment of Bonds, compliance by the Authority of the covenants contained in the provisions of the Indenture regarding Tax Covenants and the duties of the Trustee in connection with all of the foregoing, shall remain in effect and shall be binding upon the Authority, the Trustee and the Owners and the Trustee shall continue to be obligated to hold in trust any monies and investments then held by the Trustee for the payment of the principal or Redemption Price of, and interest on, the Bonds, to pay to the Owners, but only from the monies and investments so held by the Trustee, the principal or Redemption Price of, and interest on, the Bonds as and when such payment becomes due. Notwithstanding the satisfaction and discharge of the Indenture or the satisfaction discharge of the Indenture in respect of any Bonds, those provisions of the Indenture regarding compensation relating to the compensation of the Trustee shall remain in effect and shall be binding upon the Trustee and the Authority.

Prior to the defeasance of any Bonds bearing interest at a variable rate becoming effective under the provisions of the Indenture regarding Defeasance, the Trustee shall have received a Rating Confirmation from each Rating Agency.

(c) Notwithstanding the termination, satisfaction and discharge of the Indenture with respect to any Bonds, so long as any other Obligations remain Outstanding the Indenture shall remain in effect and shall be binding upon the Authority, the Trustee and the providers and Owners of such Obligations.

Bonds Deemed Paid

Bonds (or portions of Bonds) for the payment or redemption of which moneys shall have been set aside and shall be held in trust by an Escrow Agent (through deposit pursuant to a

deposit of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof, as applicable, shall be deemed to have been paid within the meaning and with the effect expressed in the provisions of the Indenture regarding Payment of Bonds. Any Outstanding Bond (or any portion thereof such that both the portion thereof which is deemed paid and the portion which is not deemed paid pursuant to this section shall be in an Authorized Denomination) shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in the provisions of the Indenture regarding Payment of Bonds (except that the obligations under the Indenture set forth in the above section and the giving of the notices of the redemption of Bonds to be redeemed as provided in the provisions of the Indenture regarding Redemption of Bonds shall continue) if (1) in case said Bond (or portion thereof) is to be redeemed on any date prior to maturity, the Authority shall have given the Trustee irrevocable instructions to give notice of redemption of such Bond (or portion thereof) on said date as provided in the provisions of the Indenture regarding Redemption of Bonds, (2) there shall have been deposited with an Escrow Agent either moneys in an amount which shall be sufficient, or Federal Securities, the principal of and the interest on which when due shall provide moneys which, together with the moneys, if any, held by such Escrow Agent for such purpose, shall be sufficient, in each case as evidenced by an Accountant's Certificate, to pay when due the principal amount of, and any redemption premiums on, said Bond (or portion thereof) and interest due and to become due on said Bond (or portion thereof) on and prior to the redemption date or maturity date thereof, as the case may be, and (3) if such Bond (or portion thereof) is not to be paid or redeemed within 60 days of the date of the deposit required by (2) above, the Authority shall have given the Trustee, in form satisfactory to it, instructions to mail, as soon as practicable, by first class mail, postage prepaid, to the Owner of such Bond, at the last address, if any, appearing upon the Bond Register, a notice that the deposit required by (2) above has been made with an Escrow Agent and that said Bond (or the applicable portion thereof) is deemed to have been paid in accordance with this section and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal amount of, and any redemption premiums on, said Bond. Any notice given pursuant to clause (3) of this section with respect to Bonds which constitute less than all of the Outstanding Bonds and maturity shall specify the letter and number or other distinguishing mark of each such Bond. Any notice given pursuant to clause (3) of this section with respect to less than the full principal amount of a Bond shall specify the principal amount of such Bond which shall be deemed paid pursuant to this section and notify the Owner of such Bond that such Bond must be surrendered as provided in the provisions of the Indenture regarding the Defeasance of Portion of Bond. The receipt of any notice required by this section shall not be a condition precedent to any Bond being deemed paid in accordance with this section and the failure of any Owner to receive any such notice shall not affect the validity of the proceedings for the payment of Bonds in accordance with this section. Neither Federal Securities nor moneys deposited with an Escrow Agent pursuant to this section, nor principal or interest payments on any such Federal Securities, shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal amount of, and any redemption premiums on, said Bonds and the interest thereon; provided that any cash received from principal or interest payments on such Federal Securities deposited with an Escrow Agent, (A) to the extent such cash shall not be required at any time for such payment, as evidenced by an Accountant's Certificate, shall be paid over upon the written direction of an Authorized Authority Representative, including a transfer to the Authority free and clear of any trust, lien, pledge or assignment securing said Bonds, and (B) to the extent such cash shall be required for such payment at a later date, shall, to the extent practicable, at the written direction of an Authorized Authority Representative, be reinvested in Federal Securities maturing at times and in amounts, which together with the other funds to be available to the Escrow Agent for such purpose, shall be sufficient to pay when due the principal amount of, and any redemption premiums on, said Bonds

and the interest to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be, as evidenced by an Accountant's Certificate.

Nothing in the Indenture shall prevent the Authority from substituting for the Federal Securities held for the payment or redemption of Bonds (or portions thereof) other Federal Securities which, together with the moneys held by the Escrow Agent for such purpose, as evidenced by an Accountant's Certificate, shall be sufficient to pay when due the principal amount of, and any redemption premiums on, the Bonds (or portions thereof) to be paid or redeemed, and the interest due on the Bonds (or portions thereof) to be paid or redeemed at the times established with the initial deposit of Federal Securities for such purpose provided that the Authority shall deliver to the Escrow Agent a Favorable Opinion of Bond Counsel with respect to such substitution.

Defeasance of Portion of Bond

If there shall be deemed paid pursuant to the provisions of the Indenture regarding the Bonds Deemed Paid less than all of the full principal amount of a Bond, the Authority shall execute and the Trustee shall authenticate and deliver, upon the surrender of such Bond, without charge to the Owner of such Bond, a new Bond or Bonds for the principal amount of the Bond so surrendered which is deemed paid pursuant to the provisions of the Indenture regarding Bonds Deemed Paid and another new Bond or Bonds for the balance of the principal amount of the Bond so surrendered, in each case of like maturity and other terms, and in any of the Authorized Denominations.

Discharge of Liability on Bonds

Upon the deposit with an Escrow Agent, in trust, at or before maturity or the applicable redemption date, of money or Federal Securities in the necessary amount (as provided in the provisions of the Indenture regarding Payment of Bonds and Bonds Deemed Paid, as applicable) to pay or redeem Outstanding Bonds (or portions thereof), and to pay the interest thereto to such maturity or redemption date, as applicable, (provided that, if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in provisions of the Indenture regarding Redemption of Bonds or provision satisfactory to the Trustee shall have been made for giving such notice), all liability of the Authority in respect of such Bonds shall cease, terminate and be completely discharged, except that the Authority shall remain liable for such payment but only from, and the Bondowners shall thereafter be entitled only to payment (without interest accrued thereon after such redemption date or maturity date, as applicable) out of, the money and Federal Securities deposited with the Escrow Agent as aforesaid for their payment, subject, however, to the provisions of Sections 8.08 and 11.02; provided that no Bond which constitutes Tender Indebtedness shall be deemed to be paid within the meaning of the Indenture unless the Purchase Price of such Bond, if tendered for purchase in accordance with the Indenture, could be paid when due from such moneys or Federal Securities (as evidenced by an Accountant's Certificate) or a Credit Support Instrument is provided in connection with such Purchase Price.

Bonds Paid by the Credit Provider

Notwithstanding anything in the Indenture to the contrary, in the event that the principal and/or interest due on the Bonds shall be paid by the Credit Provider pursuant to the Credit Support Instrument, the Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Authority, and the assignment and pledge of

the Revenues and all covenants, agreements and other obligations of the Authority to the registered Owners shall continue to exist and shall run to the benefit of the Credit Provider, and the Credit Provider shall be subrogated to the rights of such registered Owners.

Events of Default

Each of the following shall constitute an Event of Default under the Indenture:

(i) if default shall be made in the payment of the principal or Redemption Price of or Sinking Fund Installment for, or interest on, any Outstanding Bond or Obligation, when and as the same shall become due and payable, whether on an Interest Payment Date, at maturity, by call for redemption, or otherwise;

(ii) if default shall be made by the Authority in the performance or observance of any other of the covenants, agreements or conditions on its part in the Indenture or in the Outstanding Bonds, and such default shall continue for a period of 120 days after written notice thereof to the Authority by the Trustee or to the Authority and to the Trustee by the Owners of not less than 10% in principal amount of the Bonds Outstanding; provided, however, if such default is such that it can be corrected by the Authority but not within the applicable period specified above, it shall not constitute an Event of Default if corrective action is instituted by the Authority within thirty (30) days of the Authority's receipt of the notice of the default required by this paragraph and diligently pursued until the default is corrected; or

(iii) if an Event of Default (as that term is defined in the 2008 Contract) has occurred under the 2008 Contract;

(iv) if an event of default shall have occurred under any Obligation; or

(v) an Event of Bankruptcy shall have occurred and be continuing with respect to the Authority.

Accounting and Examination of Records After Default

The Authority covenants that if an Event of Default shall have happened and shall not have been remedied, the books of record and accounts of the Authority shall at all times be subject to the inspection and use of the Trustee and of its agents and attorneys and the Credit Provider and of its agents and attorneys.

The Authority covenants that if an Event of Default shall have happened and shall not have been remedied, the Authority, upon demand of the Trustee, shall account, as if it were the trustee of an express trust, for all Revenues and other moneys, securities and funds pledged or held under the Indenture for such period as shall be stated in such demand.

Application of Revenues and Other Moneys After Default

Notwithstanding anything to the contrary contained in the Indenture, including the provisions of the Indenture regarding tender of bonds, the Authority covenants that if an Event of Default shall happen and shall not have been remedied, the Authority, upon the demand of the Trustee, shall cause to be paid over to the Trustee by the first Business Day of each month, all Revenues with respect to the preceding month.

During the continuance of an Event of Default, the Trustee shall apply all Revenues received by the Trustee pursuant to any right given or action taken under the provisions of the Indenture regarding Events of Default and Remedies which are held by the Trustee pursuant and subject to the terms and conditions of the Indenture, as follows and in the following order of priority:

First: To the payment of the reasonable and proper fees, charges, expenses and liabilities of the Trustee.

Second: To the payment of the principal and Redemption Price of and interest on the Outstanding Bonds and any other Obligations; provided however, that in the event the amount of Revenues available to the Trustee is not sufficient to make all the payments required by this clause, the Trustee shall apply the available Revenues to the payment of the principal and redemption price of and interest on all Outstanding Obligations then due and payable ratably (based on the respective amounts to be paid), without any discrimination or preferences.

Third: To the transfer to the Debt Service Reserve Account for the Bonds and to each debt service reserve fund for other Outstanding Obligations, the amount, if any, necessary so that the amount on deposit in the Debt Service Reserve Account shall equal the Debt Service Reserve Requirement and the amount in each debt service reserve fund for other Outstanding Obligations shall equal the amount required to be on deposit in such debt service reserve fund under the applicable Issuing Instrument; provided that that in the event the amount of Revenues available to the Trustee is not sufficient to make all the payments required by this clause, the Trustee shall apply the available Revenues to the transfer to the Debt Service Reserve Account and each debt service reserve fund for other Outstanding Obligations ratably (based on the respective amounts to be paid), without any discrimination or preferences.

If and whenever all overdue installments of interest on all Outstanding Bonds and Outstanding Obligations, together with the reasonable and proper charges, expenses and liabilities of the Trustee and any other fiduciary for Obligations, and all other sums payable for the account of the Authority under the Indenture, including the principal and Redemption Price of all Outstanding Bonds and Outstanding Obligations and unpaid interest on all Outstanding Bonds and Outstanding Obligations which shall then be payable, shall be paid for by the account of the Authority, or provision satisfactory to the Trustee shall be made for such payment, and all defaults under the Indenture, the Outstanding Bonds and the Outstanding Obligations shall be made good or secured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall be made therefor, the Trustee shall pay over all unexpended Revenues in the hands of the Trustee (except Revenues deposited or pledged, or required by the terms of the Indenture to be deposited or pledged, with the Trustee), and thereupon the Authority and the Trustee shall be restored, respectively, to their former positions and rights under the Indenture. No such payment by the Trustee nor such restoration of the Authority and the Trustee to their former positions and rights shall extend to or affect any subsequent default under the Indenture or impair any right consequent thereon.

The Trustee may in its discretion establish special record dates for the determination of the Owners of Bonds for various purposes of the Indenture, including without limitation, payment of defaulted interest and giving direction to the Trustee.

Right to Accelerate Upon Default

Notwithstanding anything contrary in the Indenture or in the Bonds, upon the occurrence of an Event of Default, the Trustee may, with the consent of the Credit Provider, and shall, at the direction of the Credit Provider who is permitted to so direct the Trustee or the Owners of a majority in principal amount of Outstanding Bonds (other than Bonds owned by or on behalf of the Authority) with the consent of the Credit Provider, by written notice to the Authority, declare the principal of the Outstanding Bonds to be immediately due and payable, whereupon the principal of the Bonds thereby coming due and the interest thereon accrued to the date of payment shall, without further action, become and be immediately due and payable.

Appointment of Receiver

If an Event of Default shall happen and shall not have been remedied, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Owners of the Bonds under the Indenture, the Trustee shall be entitled to make application for the appointment of a receiver or custodian of the Revenues, pending such proceedings, with such power as the court making such appointment shall confer.

Enforcement Proceedings

If an Event of Default shall happen and shall not have been remedied, then and in every such case, the Trustee, by its agents and attorneys, may, with the consent of the Credit Provider and upon the written request of the Owners of not less than a majority in principal amount of the Bonds at the time Outstanding with the consent of the Credit Provider, shall proceed, to protect and enforce its rights and the rights of the Owners of the Outstanding Bonds by a suit or suits in equity or at law, whether for damages or the specific performance of any covenant contained in the Indenture, to enforce the security interest in, pledge of and lien on the Revenues granted pursuant to the Indenture, or in aid of the execution of any power granted in the Indenture or any remedy granted under applicable provisions of the laws of the State of California, or for an accounting by the Authority as if the Authority were the trustee of an express trust, or in the enforcement of any other legal or equitable right as the Trustee, being advised by counsel, shall deem most effectual to enforce any of its rights or to perform any of its duties under the Indenture.

All rights of action under the Indenture may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in the trial or other proceedings, and any such suit or proceedings instituted by the Trustee shall be brought in its own name as trustee of an express trust.

Upon commencing a suit in equity or upon other commencement of judicial proceedings by the Trustee to enforce any right under the Indenture, the Trustee shall be entitled to exercise any and all rights and powers conferred in the Indenture and provided to be exercised by the Trustee upon the occurrence of any Event of Default.

Regardless of the happening of an Event of Default, the Trustee shall have power to, but unless requested in writing by the Owners of a majority in principal amount of the Bonds then Outstanding and furnished with reasonable security and indemnity, shall be under no obligation to, institute and maintain such suits and proceedings as it may be advised shall be necessary or expedient to prevent any impairment of the security under the Indenture by any acts which may be unlawful or in violation of the Indenture, and such suits and proceedings as the Trustee may be

advised shall be necessary or expedient to preserve or protect its interests and the interests of the Owners of the Bonds.

If the Trustee, the Credit Provider or any Owner or Owners of Outstanding Bonds have instituted any proceeding to enforce any right or remedy under the Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee, the Credit Provider or to such Owner or Owners, then and in every such case the Authority, the Trustee, the Credit Provider and the Owners shall, subject to any determination in such proceeding, be restored severally and respectively to their former positions under the Indenture, and thereafter all rights and remedies of the Trustee, the Credit Provider and the Owners shall continue as though no such proceeding had been instituted.

Restriction on Owner's Action

(a) Except as otherwise provided in paragraph (b) of this section, no Owner of any Bond shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of any provision of the Indenture or the execution of any trust under the Indenture or for any remedy under the Indenture unless such Owner shall have previously given to the Trustee written notice of the happening of an Event of Default, as provided in the provisions of the Indenture regarding Events of Default and Remedies, and the Owners of at least a majority in principal amount of the Bonds then Outstanding shall have filed a written request with the Trustee, and shall have offered it reasonable opportunity, either to exercise the powers granted in the Indenture or by the applicable laws of the State of California or to institute such action, suit or proceeding in its own name, and unless such Owners shall have offered to the Trustee adequate security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused to comply with such request for a period of 60 days after receipt by it of such notice, request and offer of indemnity, it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the pledge created by the Indenture, or to enforce any right under the Indenture, except in the manner therein provided; and that all proceedings at law or in equity to enforce any provision of the Indenture shall be instituted, had and maintained in the manner provided in the Indenture and for the ratable benefit of all Owners of the Outstanding Bonds, subject only to the provisions of the Indenture regarding Credit Providers.

(b) Nothing in the Indenture or in the Bonds contained shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay on the respective due dates thereof and at the places therein expressed, but solely from the Revenues and the other moneys pledged under the Indenture, the principal amount, or Redemption Price if applicable, of the Bonds, and the interest thereon, to the respective Owners thereof, or affect or impair the right, which is also absolute and unconditional, of any Owner to institute suit for the enforcement of any such payment.

Remedies Not Exclusive

No remedy by the terms of the Indenture conferred upon or reserved to the Trustee, the Credit Provider or the Owners of the Bonds is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Indenture or existing at law or in equity or by statute whether effective on or after the effective date of the Indenture. The assertion or employment of any right or remedy, under the Indenture or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Effect of Waiver and Other Circumstances

No delay or omission of the Trustee, the Credit Provider or any Owner of a Bond to exercise any right or power arising upon the happening of an Event of Default shall impair any right or power or shall be construed to be a waiver of any such Event of Default or be an acquiescence therein; and every power and remedy given by this Article to the Trustee, the Credit Provider or to the Owners of the Bonds may be exercised from time to time and as often as may be deemed expedient by the Trustee or by the Owners of the Bonds.

The Owners of not less than sixty percent in principal amount of the Bonds at the time Outstanding, or their attorneys-in-fact duly authorized, may on behalf of the Owners of all of the Bonds, with the consent of the Credit Provider, waive any Event of Default and its consequences. No such waiver shall extend to any subsequent or Event of Default or impair any right consequent thereon unless the provisions of this subsection (b) have been satisfied with respect to such subsequent Event of Default.

Notice of Default

The Trustee shall, within thirty (30) days after obtaining knowledge thereof, mail written notice of the occurrence of any Event of Default of which the Trustee has knowledge to each Credit Provider, each Reserve Financial Guaranty Provider and each Owner of Bonds then Outstanding at such Owner's address, if any, appearing in the Bond Register.

Assurance Upon Default

Anything in the Indenture to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default as defined herein, the Credit Provider shall be entitled to control and direct the enforcement of all rights and remedies granted to the Owners or the Trustee for the benefit of the Owners under this Indenture, including, without limitation: (i) the right to accelerate the principal of the Bonds as described in this Indenture, and (ii) the right to annul any declaration of acceleration, and the Credit Provider shall also be entitled to approve all waivers of Events of Default.

Acceleration Rights

Upon the occurrence of an Event of Default, the Trustee may, with the consent of the Credit Provider, and shall, at the direction of the Credit Provider or a majority of the Owners with the consent of the Credit Provider, by written notice to the Authority and the Credit Provider, declare the principal of the Bonds to be immediately due and payable, whereupon that portion of the principal of the Obligations thereby coming due and the interest thereon accrued to the date of payment shall, without further action, become and be immediately due and payable, anything in the Indenture or in the Bonds to the contrary notwithstanding.

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APPENDIX B

FORM OF

IRREVOCABLE DIRECT PAY LETTER OF CREDIT NO. _____

_____, 2008

The Bank of New York Trust Company, N.A., as trustee
550 Kearny Street, Suite 600
San Francisco, California 94108
Attention: Corporate Trust

Dear Sirs and Madams:

We hereby establish, at the request and for the account of the City of Pittsburg (the "City"), pursuant to the terms of the Letter of Credit Reimbursement Agreement dated as of May 1, 2008 (as amended from time to time, the "Reimbursement Agreement"), by and between the City and us and the Indenture of Trust dated as of May 1, 2008 (as amended from time to time, the "Indenture"), by and between you, as trustee (the "Trustee") and the City of Pittsburg Public Financing Authority (the "Authority") and in your favor as Trustee for the benefit of the holders of the Bonds (as defined below), our Irrevocable Direct Pay Letter of Credit No. _____ (this "Letter of Credit"), whereby we hereby irrevocably authorize you to draw on us from time to time from and after the date hereof to and including the earliest to occur of (i) 4:00 P.M. (New York City time) at our Letter of Credit Department, 405 Park Avenue, New York, New York 10022 on May 7, 2013 (the "Stated Termination Date"); (ii) the date on which we receive from you a certificate in the form set forth as Exhibit A hereto; (iii) the date on which we honor a draft pursuant to a certificate in the form set forth as Exhibit C hereto in connection with a mandatory or optional redemption of all of the Bonds (other than for a Drawing presented to us pursuant to clause (iv) below); (iv) the date of conversion of the Bonds to bear interest at a rate other than a weekly interest rate (but only after we have honored any draft required to be honored on such date); and (v) the date which is five (5) days following receipt by you of a certificate in the form set forth as Exhibit J hereto indicating that this Letter of Credit will not be reinstated (the earlier of such dates, the "Letter of Credit Expiration Date"), a maximum aggregate amount not exceeding U.S. \$38,836,806 (the "Original Available Amount"), of which the sum of \$38,395,000 may be drawn on by you to pay principal or the portion of the redemption price or purchase price corresponding to principal of the City of Pittsburg Public Financing Authority Water Revenue Refunding Bonds, Series 2008 (the "Bonds"), issued by the Authority, and of which the sum of \$441,806 may be drawn to pay interest or the portion of the purchase price corresponding to thirty-five (35) days of interest on the Bonds computed at a maximum rate of twelve percent (12%) per annum (with interest computed on the basis of a 365 day year) in accordance with the terms hereof. This Letter of Credit is only available to be drawn upon with respect to Bonds bearing interest at a weekly interest rate under the Indenture.

This Letter of Credit is available to you against presentation of the following documents (the "Payment Documents") presented to Allied Irish Banks, p.l.c., New York Branch (the "Bank") at our office at 405 Park Avenue, New York, New York 10022 (or such other place as

we may from time to time specify by written notice given in accordance with the Reimbursement Agreement), Attention: Letter of Credit Department (or such other person as we may from time to time specify by written notice given in accordance with the Reimbursement Agreement):

A certificate (with all blanks appropriately completed) (i) in the form attached as Exhibit B hereto to pay accrued interest on the Bonds as provided for under the Indenture (an "Interest Drawing"), (ii) in the form attached as Exhibit C hereto to pay principal and interest upon a mandatory or optional redemption of the Bonds as provided for under the Indenture (a "Redemption Drawing"); provided that in the event the date of such Redemption Drawing coincides with an Interest Payment Date (as defined in the Indenture), such drawing shall not include any accrued interest on the Bonds (which interest is payable pursuant to an Interest Drawing), (iii) in the form attached as Exhibit D hereto to pay the principal and interest upon payment of the purchase price upon tender as provided for under the Indenture (a "Payment of the Purchase Price Upon Tender Drawing"); provided that in the event the date of such Payment of the Purchase Price Upon Tender Drawing coincides with an Interest Payment Date (as defined in the Indenture), the such drawing shall not include any accrued interest on the Bonds (which interest is payable pursuant to an Interest Drawing), or (iv) in the form attached as Exhibit E hereto to pay the maturing principal amount of Bonds, whether by acceleration, defeasance or stated maturity (a "Stated Maturity Drawing"), each certificate to state therein that it is given by your duly authorized officer and dated the date such certificate is presented hereunder.

All drawings shall be made by presentation of each Payment Document at our office at 405 Park Avenue, New York, New York 10022 as aforesaid, by tested telex (at telex number 177744 Answerback: AIBUT) or by telecopier (at telecopier number (212) 339-8019), Attention: Letter of Credit Department, without further need of documentation, including the original of this Letter of Credit, it being understood that each Payment Document so submitted is to be the sole operative instrument of drawing. You shall use your best efforts to give telephonic notice of a drawing to the Bank at its Letter of Credit Department (at telephone number (866) 432-5018), on the Business Day preceding the day of such drawing (but such notice shall not be a condition to drawing hereunder and you shall have no liability for not doing so).

We agree to honor and pay the amount of any Interest, Redemption, Payment of Purchase Price Upon Tender or Stated Maturity Drawing if presented in compliance with all of the terms of this Letter of Credit. If we receive any Drafts in the form of Exhibit B, Exhibit C, or Exhibit E all in strict conformity with the terms and conditions of this Letter of Credit, not later than 4:00 P.M. (New York City time) on a Business Day, we will honor the same by 12:00 Noon (New York City time) on the immediately following Business Day in accordance with your payment instructions. If we receive any Drafts in the form of Exhibit B, Exhibit C, or Exhibit E all in strict conformity with the terms and conditions of this Letter of Credit, after 4:00 P.M. (New York City time) on a Business Day, we will honor the same by 12:00 Noon on the Business Day immediately following the next Business Day in accordance with your payment instructions. If we receive any Drafts in the form of Exhibit D, all in strict conformity with the terms and conditions of this Letter of Credit, not later than 11:30 A.M. (New York City time) on

a Business Day, we will honor the same by 2:00 P.M. (New York City time) on the same Business Day in accordance with your payment instructions. If we receive any Drafts in the form of Exhibit D, all in strict conformity with the terms and conditions of this Letter of Credit, later than 11:30 A.M. (New York City time) on a Business Day, we will honor the same by 2:00 P.M. (New York City time) on the immediately following Business Day in accordance with your payment instructions. Payments made hereunder shall be made by wire transfer of immediately available funds of the Bank to you or by deposit of immediately available funds of the Bank into your account with us in accordance with the instructions specified by the Trustee in the drawing certificate relating to a particular drawing hereunder. "Business Day" means any day of the year other than (a) a Saturday, (b) a Sunday, (c) any day which shall be in San Francisco, California or New York, New York a legal holiday or a day on which banking institutions are authorized or required by law or other government action to close, and (d) any day the city or cities in which the principal or other designated corporate office of the Trustee, the Tender Agent, the Remarketing Agent or the Bank is located are required or authorized to close.

The Available Amount (as hereinafter defined) of this Letter of Credit will be reduced automatically by the amount of any drawing hereunder; provided, however, that the amount of any Interest Drawing hereunder or interest as specified in a Payment of the Purchase Price Upon Tender Drawing, less the amount of the reduction in the Available Amount of this Letter of Credit attributable to interest as specified in a certificate in the form of Exhibit C, Exhibit D or Exhibit E hereto, shall be automatically reinstated effective at the close of business on the date on which such draft is honored.

If you shall draw on us by a draft in the form of Exhibit D attached hereto, the amount of the principal component and the interest component relating thereto shall be reinstated when and to the extent, but only when and to the extent, the Bank is reimbursed by or on behalf of the City for the full amount drawn hereunder by any such draft.

Upon receipt by us of a certificate of the Trustee in the form of Exhibit C or Exhibit E hereto, this Letter of Credit will automatically and permanently reduce the amount available to be drawn hereunder by the amount specified in such certificate. Such reduction shall be effective as of the next Business Day following the date of delivery of such certificate.

Upon any permanent reduction of the amounts available to be drawn under this Letter of Credit, as provided herein, we may deliver to you an Alternate Credit Support Instrument in exchange for this Letter of Credit or an amendment to this Letter of Credit substantially in the form of Exhibit F hereto to reflect any such reduction. If we deliver to you such Alternate Credit Support Instrument, you shall simultaneously surrender to us for cancellation this Letter of Credit then in your possession. The "Available Amount" shall mean the Original Available Amount (i) less the amount of all prior reductions pursuant to Interest, Redemption, Payment of the Purchase Price Upon Tender or Stated Maturity Drawings, (ii) less the amount of any reduction thereof pursuant to a reduction certificate in the form of Exhibit F hereto to the extent such reduction is not already accounted for by a reduction in the Available Amount pursuant to (i) above, (iii) plus the amount of all reinstatements as above provided.

Prior to the Letter of Credit Expiration Date, we may extend the Stated Termination Date from time to time at the request of the City by delivering to you an amendment to this Letter of

Credit in the form of Exhibit I hereto designating the date to which the Stated Termination Date is being extended. Each such extension of the Stated Termination Date shall become effective on the Business Day following delivery of such notice to you and thereafter all references in this Letter of Credit to the Stated Termination Date shall be deemed to be references to the date designated as such in such notice. Any date to which the Stated Termination Date has been extended as herein provided may be extended in a like manner.

Upon the Letter of Credit Expiration Date, this Letter of Credit shall automatically terminate and be delivered to the Bank for cancellation.

If a drawing by you hereunder does not, in any instance, conform to the terms and conditions of this Letter of Credit, we shall give you prompt notice that the purported drawing was not effected in accordance with the terms and conditions of this Letter of Credit, stating the reasons therefor and that we are holding the documents at your disposal or are returning the same to you, as we may elect. Upon being notified that the purported drawing was not effected in accordance with this Letter of Credit, you may attempt to correct any such nonconforming drawing if and to the extent that you are entitled (without regard to the provisions of this sentence) and able to do so in accordance with the terms hereof.

This Letter of Credit is transferable in whole only to your successor as Trustee. Any such transfer (including any successive transfer) shall be effective upon receipt by us (which receipt shall be subsequently confirmed in writing to the transferor and the transferee by the Bank) of a signed copy of the instrument effecting each such transfer signed by the transferor and by the transferee in the form of Exhibit H hereto (which shall be conclusive evidence of such transfer) and, in such case, the transferee instead of the transferor shall, without the necessity of further action, be entitled to all the benefits of and rights under this Letter of Credit in the transferor's place; provided that, in such case, any certificates of the Trustee to be provided hereunder shall be signed by one who states therein that he is a duly authorized officer or agent of the transferee.

Communications with respect to this Letter of Credit shall be addressed to us at Allied Irish Banks, p.l.c., 405 Park Avenue, New York, New York 10022, Attention: Letter of Credit Department, specifically referring to the number of this Letter of Credit.

This Letter of Credit sets forth in full our undertaking, and such undertaking shall not be in any way modified, amended, amplified or limited by reference to any document, instrument or agreement referred to herein (including, without limitation, the Bonds), except only the certificates and the Drafts referred to herein which are hereby incorporated by reference; and any such reference shall not be deemed to incorporate herein by reference any document, instrument or agreement except for such certificates and such Drafts.

We agree that this Letter of Credit shall not be amended in a manner that adversely affects your rights hereunder without your written consent, provided in any event that your written consent shall not be required to any extension of the Stated Termination Date agreed to by us.

This Letter of Credit shall be governed by the Uniform Customs and Practice for Documentary Credits (1993 Revision), International Chamber of Commerce Publication No. 500 (the "UCP") as interpreted under the laws of the State of New York, except that (a) Article 11(a)

of the UCP shall govern solely with respect to the presentation of Drafts by telecopy transmission; (b) notwithstanding the provisions of Article 17 of the UCP, if this Letter of Credit expires during an interruption of business (as described in Article 17 of the UCP), we specifically agree to effect payment under this Letter of Credit if a drawing which strictly conforms to the terms and conditions of this Letter of Credit is made within 15 days after the resumption of business; (c) this Letter of Credit will not terminate because of a failure to make any permitted drawings hereunder as provided in Article 41 of the UCP; (d) notwithstanding the provisions of Sub-Article 48(d) of the UCP, the consent of a prior Trustee will not be required in connection with the amendment of this Letter of Credit following a transfer of said Letter of Credit to any successor Trustee and (e) notwithstanding the provisions of Article 48(g) of the UCP, this Letter of Credit may be transferred more than once. As to matters not covered by the UCP, this Letter of Credit shall be governed by the laws of the State of New York, without regard to conflict of laws rules, including, to the extent not inconsistent with the UCP, the Uniform Commercial Code as in effect in the State of New York. By your acceptance of this Letter of Credit, you and any transferee who has succeeded you as Trustee under the Indenture, agree to waive, to the fullest extent permitted by applicable law, any right you may have to a trial by jury in respect of any litigation arising directly or indirectly under or in connection with this Letter of Credit.

All payments made by us hereunder shall be made from our funds and not from the funds of any other Person.

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SIGNATURE PAGE FOLLOWS

Any defined terms which are not expressly defined herein shall have the same meaning herein as in the Reimbursement Agreement or the Indenture.

ALLIED IRISH BANKS, p.l.c.,
New York Branch

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

EXHIBIT A TO ALLIED IRISH BANKS, p.l.c.
IRREVOCABLE DIRECT PAY LETTER OF CREDIT NO. _____

NOTICE OF TERMINATION

Allied Irish Banks, p.l.c.
405 Park Avenue
New York, New York 10022
Attention: Letter of Credit Department

Ladies and Gentlemen:

Reference is hereby made to that certain Irrevocable Direct Pay Letter of Credit No. _____ dated _____, 2008 (the "Letter of Credit"), which has been established by you for the account of the City of Pittsburg (the "City") in favor of the Trustee.

The undersigned hereby certifies and confirms that [(i) no Bonds (as defined in the Letter of Credit) remain Outstanding within the meaning of the Indenture, (ii) all drawings required to be made under the Indenture and available under the Letter of Credit have been made and honored, or (iii) an Alternate Credit Support Instrument has been issued to replace the Letter of Credit pursuant to the Indenture and the Installment Purchase Contract], and, accordingly, the Letter of Credit shall be terminated in accordance with its terms.

All defined terms used herein which are not otherwise defined shall have the same meaning as in the Letter of Credit.

THE BANK OF NEW YORK TRUST
COMPANY, N.A, as Trustee

By: _____
Name:
Title:

EXHIBIT B TO ALLIED IRISH BANKS, p.l.c.
IRREVOCABLE DIRECT PAY LETTER OF CREDIT NO. _____

INTEREST DRAWING CERTIFICATE

Allied Irish Banks, p.l.c.
405 Park Avenue
New York, New York 10022
Attention: Letter of Credit Department

The undersigned individual, a duly authorized representative of The Bank of New York Trust Company, N.A., as trustee (the "Beneficiary"), hereby CERTIFIES on behalf of the Beneficiary with respect to (i) that certain Irrevocable Direct Pay Letter of Credit No. _____ dated _____, 2008 (the "Letter of Credit"), issued by Allied Irish Banks, p.l.c., New York Branch (the "Bank"), in favor of the Beneficiary; (ii) those certain Bonds (as defined in the Letter of Credit); and (iii) that certain Indenture (as defined in the Letter of Credit), as follows:

1. The Beneficiary is the Trustee under the Indenture.
2. The Beneficiary is entitled to make this drawing in the amount of \$ _____ under the Letter of Credit pursuant to Section 2.13(b)(i) of the Indenture with respect to the payment of interest due on all Bonds Outstanding (other than Bonds owned or held by the City or Bank Bonds) (as defined in the Indenture) on the Interest Payment Date (as defined in the Letter of Credit) occurring on [insert applicable date].
3. The amount of the drawing is equal to the amount required to be drawn by the Trustee pursuant to Section 2.13(b)(i) of the Indenture.
4. The amount of the drawing made by this Certificate was computed in compliance with the terms of the Indenture and, when added to the amount of any other drawing under the Letter of Credit made simultaneously herewith, does not exceed the Available Amount (as defined in the Letter of Credit).
5. Payment by the Bank pursuant to this drawing shall be made to _____, ABA Number _____, Account Number _____, Attention: _____, Re: _____.

IN WITNESS WHEREOF, this Certificate has been executed this _____ day of _____, 20__.

THE BANK OF NEW YORK TRUST
COMPANY, N.A., as Trustee

By: _____
Name:
Title:

EXHIBIT C TO ALLIED IRISH BANKS, p.l.c.
IRREVOCABLE DIRECT PAY LETTER OF CREDIT NO. _____

PAYMENT OF PRINCIPAL AND INTEREST ON THE BONDS, UPON
MANDATORY OR OPTIONAL REDEMPTION OF THE BONDS DRAWING

Allied Irish Banks, p.l.c.
405 Park Avenue
New York, New York 10022
Attention: Letter of Credit Department

The undersigned individual, a duly authorized representative of The Bank of New York Trust Company, N.A., as trustee (the "Beneficiary"), hereby CERTIFIES on behalf of the Beneficiary with respect to (i) that certain Irrevocable Direct Pay Letter of Credit No. _____ dated _____, 2008 (the "Letter of Credit"), issued by Allied Irish Banks, p.l.c., New York Branch (the "Bank"), in favor of the Beneficiary; (ii) those certain Bonds (as defined in the Letter of Credit); and (iii) that certain Indenture (as defined in the Letter of Credit), as follows:

1. The Beneficiary is the Trustee under the Indenture.
2. The Beneficiary is entitled to make this drawing in the amount of \$ _____ under the Letter of Credit pursuant to Section 2.13(b)(i) of the Indenture with respect to payment, upon mandatory or optional redemption of the Bonds (other than Bonds owned or held by the City or Bank Bonds) (as defined in the Indenture).
3. (a) The amount of this drawing is equal to (i) the principal amount of Bonds to be paid upon optional or mandatory redemption by the Authority (as defined in the Letter of Credit) (other than Bonds owned or held by the City or Bank Bonds) pursuant to Section 4.01[(a)]/[(d)] of the Indenture on [insert applicable date] (the "Draw Date"), plus (ii) interest on such Bonds accrued from the immediately preceding Interest Payment Date (as defined in the Letter of Credit) to the Draw Date, provided that in the event the Draw Date coincides with an Interest Payment Date this drawing does not include any accrued interest on such Bonds.

(b) Of the amount stated in paragraph 2 above:

(i) \$ _____ is demanded in respect of the principal portion of the Bonds referred to in subparagraph 3(a) above; and

(ii) \$ _____ is demanded in respect of accrued interest on the Bonds referred to in subparagraph 3(a) above.

4. Payment by the Bank pursuant to this drawing shall be made to _____, ABA Number _____, Account Number _____, Attention: _____, Re: _____.

5. The amount of the drawing made by this Certificate was computed in compliance with the terms and conditions of the Indenture and, when added to the amount of any other drawing under the Letter of Credit made simultaneously herewith, does not exceed the Available Amount of the Letter of Credit.

6. Upon payment of the amount drawn hereunder, the Bank is hereby directed to permanently reduce the Available Amount (as defined in the Letter of Credit) of the Letter of Credit by \$[insert amount of reduction] and the Available Amount shall thereupon equal \$[insert new Available Amount].

7. Of the amount of the reduction stated in paragraph 6 above:

(a) \$_____ is attributable to the principal amount of Bonds redeemed;
and

(b) \$_____ is attributable to interest on such Bonds (i.e., thirty-five (35) days' interest thereon).

8. The amount of the reduction in the Available Amount of the Letter of Credit has been computed in accordance with the provisions of the Letter of Credit.

9. Following the reduction, the Available Amount of the Letter of Credit shall be at least equal to the aggregate principal amount of the Bonds outstanding plus thirty-five (35) days' interest thereon.

10. [In the case of optional redemption, pursuant to the terms of the Indenture from the proceeds of a draw on the Letter of Credit, the Trustee, prior to giving notice of redemption to the owners of the Bonds, received written evidence from the Bank that the Bank has consented to such optional redemption.]

IN WITNESS WHEREOF, this Certificate has been executed this _____ day of _____, 20__.

THE BANK OF NEW YORK TRUST
COMPANY, N.A., as Trustee

By: _____
Name:
Title:

EXHIBIT D TO ALLIED IRISH BANKS, p.l.c.
IRREVOCABLE DIRECT PAY LETTER OF CREDIT NO. _____

PAYMENT OF PRINCIPAL AND INTEREST ON THE BONDS, UPON
PAYMENT OF THE PURCHASE PRICE UPON TENDER DRAWING

Allied Irish Banks, p.l.c.
405 Park Avenue
New York, New York 10022
Attention: Letter of Credit Department

The undersigned individual, a duly authorized representative of The Bank of New York Trust Company, N.A., as trustee (the "Beneficiary"), hereby CERTIFIES on behalf of the Beneficiary with respect to (i) that certain Irrevocable Direct Pay Letter of Credit No. _____ dated _____, 2008 (the "Letter of Credit"), issued by Allied Irish Banks, p.l.c., New York Branch (the "Bank"), in favor of the Beneficiary; (ii) those certain Bonds (as defined in the Letter of Credit); and (iii) that certain Indenture (as defined in the Letter of Credit), as follows:

1. The Beneficiary is the Trustee under the Indenture.
2. The Beneficiary is entitled to make this drawing in the amount of \$ _____ under the Letter of Credit pursuant to Section 5.06(e)(ii) of the Indenture with respect to a payment, of the purchase price upon tender of all or a portion of the Bonds (other than Bonds owned or held by the City or Bank Bonds) (as defined in the Indenture).
3. (a) The amount of this drawing is equal to (i) the principal amount of the purchase price upon tender of all or a portion of the Bonds (other than Bonds owned or held by the City or Bank Bonds) pursuant to Section [5.01]/[5.02]/[5.03] of the Indenture on [insert applicable date] (the "Draw Date"), plus (ii) the interest amount of the purchase price upon tender of all or a portion of the Bonds accrued from the immediately preceding Interest Payment Date (as defined in the Letter of Credit) to the Draw Date, provided that in the event the Draw Date coincides with an Interest Payment Date this drawing does not include any accrued interest on such Bonds.

(b) Of the amount stated in paragraph 2 above:
 - (i) \$ _____ is demanded in respect of the principal portion of the purchase price on the Bonds referred to in subparagraph 3(a) above; and
 - (ii) \$ _____ is demanded in respect of accrued interest on the portion of the purchase price on the Bonds referred to in subparagraph 3(a) above.
4. Payment by the Bank pursuant to this drawing shall be made to _____, ABA Number _____, Account Number _____, Attention: _____, Re: _____.

5. The amount of the drawing made by this Certificate was computed in compliance with the terms and conditions of the Indenture and, when added to the amount of any other drawing under the Letter of Credit made simultaneously herewith, does not exceed the Available Amount of the Letter of Credit.

IN WITNESS WHEREOF, this Certificate has been executed this _____ day of _____, 20__.

THE BANK OF NEW YORK TRUST
COMPANY, N.A., as Trustee

By: _____
Name:
Title:

EXHIBIT E TO ALLIED IRISH BANKS, p.l.c.
IRREVOCABLE DIRECT PAY LETTER OF CREDIT NO. _____

STATED MATURITY DRAWING CERTIFICATE

Allied Irish Banks, p.l.c.
405 Park Avenue
New York, New York 10022
Attention: Letter of Credit Department

The undersigned individual, a duly authorized representative of The Bank of New York Trust Company, N.A., as trustee (the "Beneficiary"), hereby CERTIFIES on behalf of the Beneficiary as follows with respect to (i) that certain Irrevocable Direct Pay Letter of Credit No. _____ dated _____, 2008 (the "Letter of Credit"), issued by Allied Irish Banks, p.l.c., New York Branch (the "Bank"), in favor of the Beneficiary; (ii) those certain Bonds (as defined in the Letter of Credit); and (iii) that certain Indenture (as defined in the Letter of Credit), as follows:

1. The Beneficiary is the Trustee under the Indenture.
2. The Beneficiary is entitled to make this drawing in the amount of \$ _____ under the Letter of Credit pursuant to Section 2.13(b)(i) of the Indenture with respect to (i) a payment, upon acceleration or defeasance of all or a portion of the Bonds (other than Bonds owned or held by the City or Bank Bonds) or (ii) the maturing principal amount of and accrued interest on the Bonds.
3. (a) The amount of this drawing is equal to (i) the principal amount of Bonds to be paid upon acceleration or defeasance by the Authority (as defined in the Letter of Credit) (other than Bonds owned or held by the City or Bank Bonds) or the maturing principal amount of the Bonds pursuant to the Indenture on [insert applicable date] (the "Draw Date"), plus (ii) interest on such Bonds accrued from the immediately preceding Interest Payment Date (as defined in the Letter of Credit) to the Draw Date, provided that in the event the Draw Date coincides with an Interest Payment Date this drawing does not include any accrued interest on such Bonds.
 - (b) Of the amount stated in paragraph 2 above:
 - (i) \$ _____ is demanded in respect of the principal portion of the Bonds referred to in subparagraph 3(a) above; and
 - (ii) \$ _____ is demanded in respect of accrued interest on the Bonds referred to in subparagraph 3(a) above.
4. The amount of this drawing made by this Certificate was computed in compliance with the terms and conditions of the Indenture and, when added to the amount of any other

drawing under the Letter of Credit made simultaneously herewith, does not exceed the Available Amount of the Letter of Credit.

5. Payment by the Bank pursuant to this drawing shall be made to _____, ABA Number _____, Account Number _____, Attention: _____, Re: _____.

6. Upon payment of the amount drawn hereunder, the Bank is hereby directed to permanently reduce the Available Amount (as defined in the Letter of Credit) of the Letter of Credit by \$[insert amount of reduction] and the Available Amount shall thereupon equal \$[insert new Available Amount].

7. Of the amount of the reduction stated in paragraph 6 above:

(a) \$_____ is attributable to the principal amount of Bonds accelerated, defeased or matured; and

(b) \$_____ is attributable to interest on such Bonds (i.e., thirty-five (35) days' interest thereon).

8. The amount of the reduction in the Available Amount of the Letter of Credit has been computed in accordance with the provisions of the Letter of Credit.

9. Following the reduction, the Available Amount of the Letter of Credit shall be at least equal to the aggregate principal amount of the Bonds outstanding plus thirty-five (35) days' interest thereon.

IN WITNESS WHEREOF, this Certificate has been executed this _____ day of _____, 20__.

THE BANK OF NEW YORK TRUST
COMPANY, N.A., as Trustee

By: _____
Name:
Title:

EXHIBIT F TO ALLIED IRISH BANKS, p.l.c.
IRREVOCABLE DIRECT PAY LETTER OF CREDIT NO. _____

REDUCTION CERTIFICATE

Allied Irish Banks, p.l.c.
405 Park Avenue
New York, New York 10022
Attention: Letter of Credit Department

The undersigned individual, a duly authorized representative of The Bank of New York Trust Company, N.A., as trustee (the "Beneficiary"), hereby CERTIFIES with respect to (i) that certain Irrevocable Direct Pay Letter of Credit No. _____ dated _____, 2008 (the "Letter of Credit"), issued by Allied Irish Banks, p.l.c., New York Branch (the "Bank"), in favor of the Beneficiary; (ii) those certain Bonds (as defined in the Letter of Credit); and (iii) that certain Indenture (as defined in the Letter of Credit), as follows:

1. The Beneficiary is the Trustee under the Indenture.
2. Upon receipt by the Bank of this Certificate, the Available Amount (as defined in the Letter of Credit) shall be reduced by \$_____ and the Available Amount shall thereupon equal \$_____. \$_____ of the new Available Amount is attributable to interest.
3. The amount of the reduction in the Available Amount of the Letter of Credit has been computed in accordance with the provisions of the Letter of Credit.
4. Following the reduction, the Available Amount of the Letter of Credit shall be at least equal to the aggregate principal amount of the Bonds outstanding plus thirty-five (35) days' interest thereon.

IN WITNESS WHEREOF, this Certificate has been executed this _____ day of _____, 20__.

THE BANK OF NEW YORK TRUST
COMPANY, N.A., as Trustee

By: _____
Name:
Title:

EXHIBIT G TO ALLIED IRISH BANKS, p.l.c.
IRREVOCABLE DIRECT PAY LETTER OF CREDIT NO. _____

NOTICE OF AMENDMENT

The Bank of New York Trust Company, N.A., as trustee
550 Kearny Street, Suite 600
San Francisco, California 94108
Attention: [_____]

Ladies and Gentlemen:

Reference is hereby made to that certain Irrevocable Direct Pay Letter of Credit No. _____ dated _____, 2008 (the "Letter of Credit"), established by us in your favor as Beneficiary. We hereby notify you that, in accordance with the terms of the Letter of Credit and that certain Letter of Credit Reimbursement Agreement dated as of May 1, 2008, by and between the City of Pittsburg and us, the Available Amount of the Letter of Credit has been reduced to \$_____.

This letter should be attached to the Letter of Credit and made a part thereof.

ALLIED IRISH BANKS, p.l.c.,
New York Branch

By: _____
Name:
Title:

By: _____
Name:
Title:

EXHIBIT H TO ALLIED IRISH BANKS, p.l.c.
IRREVOCABLE DIRECT PAY LETTER OF CREDIT NO. _____

TRANSFER CERTIFICATE

Allied Irish Banks, p.l.c.
405 Park Avenue
New York, New York 10022
Attention: Letter of Credit Department

Ladies and Gentlemen:

Reference is made to that certain Irrevocable Direct Pay Letter of Credit No. _____ dated _____, 2008 (the "Letter of Credit") which has been established by Allied Irish Banks, p.l.c., New York Branch (the "Bank"), in favor of The Bank of New York Trust Company, N.A., as trustee ("Trustee").

The undersigned, a duly authorized officer or agent of [Name of Transferor], has transferred and assigned (and hereby confirms to you said transfer and assignment) all of its rights in and under said Letter of Credit to [Name of Transferee] and confirms that [Name of Transferor] no longer has any rights under or interest in said Letter of Credit.

Transferor and Transferee have indicated on the face of said Letter of Credit that it has been transferred and assigned to Transferee.

The undersigned, a duly authorized officer or agent of the Transferee, hereby certifies that the Transferee is a duly authorized Transferee under the terms of said Letter of Credit and is accordingly entitled, upon presentation of the documents called for therein, to receive payment thereunder.

Name of Transferor

By: _____
Name:
Title:

[_____]
Name of Transferor

By: _____
Name:
Title:

EXHIBIT I TO ALLIED IRISH BANKS, p.l.c.
IRREVOCABLE DIRECT PAY LETTER OF CREDIT NO. _____

NOTICE OF EXTENSION

The Bank of New York Trust Company, N.A., as trustee
550 Kearny Street, Suite 600
San Francisco, California 94108
Attention: [_____]

Ladies and Gentlemen:

Reference is hereby made to that certain Irrevocable Direct Pay Letter of Credit No. _____ dated _____, 2008 (the "Letter of Credit"), established by us in your favor as Beneficiary. We hereby notify you that, in accordance with the terms of the Letter of Credit and that certain Letter of Credit Reimbursement Agreement, dated as of May 1, 2008, by and between the City of Pittsburg and us, the Stated Termination Date of the Letter of Credit has been extended to _____.

This letter should be attached to the Letter of Credit and made a part thereof

ALLIED IRISH BANKS, p.l.c.,
New York Branch

By: _____
Name:
Title:

By: _____
Name:
Title:

EXHIBIT J TO ALLIED IRISH BANKS, p.l.c.
IRREVOCABLE DIRECT PAY LETTER OF CREDIT NO. _____

NOTICE OF EVENT OF DEFAULT

The Bank of New York Trust Company, N.A., as trustee
550 Kearny Street, Suite 600
San Francisco, California 94108
Attention: [_____]

Ladies and Gentlemen:

Reference is hereby made to that certain Irrevocable Direct Pay Letter of Credit No. _____ dated _____, 2008 (the "Letter of Credit"), established by us in your favor as Beneficiary. We hereby notify you that, in accordance with the terms of the Letter of Credit, an Event of Default has occurred under the Reimbursement Agreement. You are hereby instructed to cause a mandatory tender of the Bonds pursuant to Section 5.03 of the Indenture on a Business Day which is no later than five (5) Business Days after the date on which you have received this notice. [The Letter of Credit shall not be reinstated after the drawing for such mandatory tender.]¹

ALLIED IRISH BANKS, p.l.c.,
New York Branch

By: _____
Name:
Title:

By: _____
Name:
Title:

¹ Insert only if the Letter of Credit is to terminate following such mandatory tender.

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APPENDIX C
PROPOSED FORM OF BOND COUNSEL OPINION

_____, 2008

City of Pittsburg
Pittsburg, California

City of Pittsburg Public Financing Authority
Pittsburg, California

City of Pittsburg Public Financing Authority
Water Revenue Refunding Bonds, Series 2008
(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the City of Pittsburg Public Financing Authority, California (the “Issuer”) in connection with its issuance of \$38,395,000 aggregate principal amount of City of Pittsburg Public Financing Authority Water Revenue Refunding Bonds, Series 2008 (the “Bonds”), issued pursuant to Article 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code and pursuant to an Indenture of Trust, dated as of May 1, 2008 (the “Indenture”), between the Issuer and The Bank of New York Trust Company, N.A. (the “Trustee”). In order to secure payment of the Bonds, the City of Pittsburg, California (the “City”) has entered into a 2008 Installment Purchase Contract, dated as of May 1, 2008 (the “Installment Purchase Contract”) by and between the City and the Issuer, pursuant to which the City will make installment payments to the Authority for the payment of the cost of the acquisition of the 2005 Water Project. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture or the Installment Purchase Contract.

In such connection, we have reviewed the Indenture, Installment Purchase Contract, the Tax Certificate, dated the date hereof (the “Tax Certificate”), opinions of counsel to the Issuer, the

Auction Agent and the Trustee, certificates of the Issuer, the Auction Agent, the Trustee, the Underwriter and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The interest rate mode and certain agreements, requirements and procedures contained or referred to in the Indenture, Installment Purchase Contract, the Tax Certificate and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any Bond or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Issuer. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture, the Installment Purchase Contract and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Indenture, the Installment Purchase Contract and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against cities or joint powers authorities in the State of California. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in or as subject to the lien of the Indenture or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property. Finally, we

undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding limited obligations of the Issuer.
2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Issuer. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Bonds, of the Revenues (as defined in the Indenture) and any other amounts (including certain proceeds of the sale of the Bonds) held by the Trustee in any fund or account established pursuant to the Indenture, except the Rebate Fund, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.
3. The Bonds are not a lien or charge upon the funds or property of the Issuer except to the extent of the aforementioned pledge. Neither the faith and credit nor the taxing power of the State of California or of any political subdivision thereof is pledged to the payment of the principal of or interest on the Bonds. The Bonds are not a debt of the State of California, and said State is not liable for the payment thereof.
4. The Installment Purchase Contract has been duly executed and delivered by, and constitutes the valid and binding obligation of, the City.
5. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. We observe, however, that interest on the Bonds is a specific preference item for purposes of the federal individual and corporate alternative minimum taxes. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

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APPENDIX D

DTC AND BOOK-ENTRY SYSTEM

The following description of the Depository Trust Company (“DTC”), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the issuer of the Bonds (the “Issuer”) nor the trustee, fiscal agent or paying agent appointed with respect to the Bonds (the “Agent”) take any responsibility for the information contained in this Appendix.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “Bonds”). The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for the Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned

subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

3. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

4. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners, in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC’s

Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from Issuer or Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Tender Agent or Remarketing Agent, as applicable, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Tender Agent or Remarketing Agent, as applicable. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the DTC account of the Tender Agent or Remarketing Agent, as applicable.

10. DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

11. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

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